

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016.
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: 001-36140

58.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)

**Building 105, 10 Jiuxianqiao North Road Jia
Chaoyang District, Beijing 100015
People's Republic of China**

(Address of principal executive offices)

**Hao Zhou, Chief Financial Officer
Telephone: +86 10 5956-5858
Building 105, 10 Jiuxianqiao North Road Jia
Chaoyang District, Beijing 100015
People's Republic of China**

(Name, Telephone, E-mail 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, each representing two Class A ordinary shares
Class A ordinary shares, par value US\$0.00001 per share*

New York Stock Exchange
New York Stock Exchange*

* Not for trading, but only in connection with the listing on the New York Stock Exchange 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. 289,670,997 ordinary shares, par value US\$0.00001 per share, being the sum of 240,930,737 Class A ordinary shares and 48,740,260 Class B ordinary shares as of December 31, 2016.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 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. Yes 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. Yes 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). Yes 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

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepare 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.

†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 International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

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. Item 17 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). Yes 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. Yes No

TABLE OF CONTENTS

<u>INTRODUCTION</u>	i
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	i
PART I	1
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	1
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	1
ITEM 3. <u>KEY INFORMATION</u>	1
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	37
ITEM 4A. <u>UNRESOLVED STAFF COMMENTS</u>	67
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	67
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	92
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	99
ITEM 8. <u>FINANCIAL INFORMATION</u>	105
ITEM 9. <u>THE OFFER AND LISTING</u>	106
ITEM 10. <u>ADDITIONAL INFORMATION</u>	107
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	118
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	118
PART II	120
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	120
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	120
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	120
ITEM 16A. <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	122
ITEM 16B. <u>CODE OF ETHICS</u>	122
ITEM 16C. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	122
ITEM 16D. <u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	122
ITEM 16E. <u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	122
ITEM 16F. <u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	122
ITEM 16G. <u>CORPORATE GOVERNANCE</u>	123
ITEM 16H. <u>MINE SAFETY DISCLOSURE</u>	123
PART III	124
ITEM 17. <u>FINANCIAL STATEMENTS</u>	124
ITEM 18. <u>FINANCIAL STATEMENTS</u>	124
ITEM 19. <u>EXHIBITS</u>	124

INTRODUCTION

In this annual report, unless otherwise indicated or the context otherwise requires, references to:

- “ADSs” refers to our American depository shares, each of which represents two Class A ordinary shares of 58.com Inc.;
- “58.com,” “we,” “us,” “our company,” and “our” refer to 58.com Inc., its subsidiaries and its consolidated variable interest entities;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for purposes of this annual report only, Taiwan, Hong Kong and Macau;
- “Renminbi” or “RMB” refers to the legal currency of China;
- “U.S. GAAP” refers to generally accepted accounting principles in the United States; and
- “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the United States.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that relate to our current expectations and views of future events. The forward-looking statements are contained principally in the items entitled “Information on the Company,” “Risk Factors,” “Operating and Financial Review and Prospects,” “Financial Information” and “Quantitative and Qualitative Disclosures About Market Risk.” Our forward-looking statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions, although not all forward-looking statement contain these words. Forward-looking statements include, but are not limited to, statements relating to:

- our goals and strategies;
- our expansion plans;
- our future business development, financial condition and results of operations;
- the expected growth of the online marketing services, mobile services and e-commerce industries;
- our expectations regarding demand for, and market acceptance of, our services;
- our expectations regarding keeping and strengthening our relationships with customers;
- our plans to invest in research and development to enhance our solution and service offerings; and
- general economic and business conditions in the regions where we provide our solutions and services.

We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in “Item 3. Key Information — D. Risk Factors.” Those risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law. You should read this annual report and the documents that we reference in this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Selected Consolidated Financial Data

The following table presents the selected consolidated financial information of our company. Our summary data of consolidated statements of comprehensive income/(loss) and summary consolidated cash flow data presented below for the years ended December 31, 2014, 2015 and 2016 and our summary consolidated balance sheet data as of December 31, 2015 and 2016 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our summary data of consolidated statements of comprehensive income/(loss), and summary consolidated cash flow data presented below for the years ended December 31, 2012 and 2013 and our summary consolidated balance sheet data as of December 31, 2012, 2013 and 2014 have been derived from our management accounting records. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP.

You should read the summary consolidated financial information in conjunction with our consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report. Our historical results are not necessarily indicative of our results expected for future periods.

	For the Year Ended December 31,					
	2012 RMB	2013 RMB	2014 RMB	2015 ⁽¹⁾ RMB	2016 RMB	US\$
	(in thousands)					
Summary Data of Consolidated Statements of Comprehensive Income/(Loss):						
Revenues:						
Membership	302,482	530,150	857,017	1,859,987	2,951,135	425,419
Online marketing services	179,959	361,261	768,316	2,414,906	4,363,777	629,058
E-commerce service	—	—	—	144,930	166,753	24,038
Other services	67,504	9,713	2,787	58,275	110,462	15,924
Total revenues	<u>549,945</u>	<u>901,124</u>	<u>1,628,120</u>	<u>4,478,098</u>	<u>7,592,127</u>	<u>1,094,439</u>
Cost of revenues ⁽²⁾	(65,691)	(52,469)	(85,081)	(322,016)	(707,237)	(101,951)
Gross profit	<u>484,254</u>	<u>848,655</u>	<u>1,543,039</u>	<u>4,156,082</u>	<u>6,884,890</u>	<u>992,488</u>
Operating expenses ⁽²⁾ :						
Sales and marketing expenses	(482,375)	(523,216)	(1,106,689)	(4,316,217)	(4,941,380)	(712,322)
Research and development expenses	(116,544)	(155,631)	(268,336)	(760,796)	(1,107,897)	(159,708)
General and administrative expenses	(82,620)	(80,288)	(126,709)	(659,284)	(601,906)	(86,767)
Total operating expenses	<u>(681,539)</u>	<u>(759,135)</u>	<u>(1,501,734)</u>	<u>(5,736,297)</u>	<u>(6,651,183)</u>	<u>(958,797)</u>
Income/(loss) from operations	(197,285)	89,520	41,305	(1,580,215)	233,707	33,691
Net income/(loss)	<u>(191,884)</u>	<u>119,918</u>	<u>139,433</u>	<u>(1,648,583)</u>	<u>(772,963)</u>	<u>(111,425)</u>
Add: Net loss attributable to noncontrolling interests	—	—	—	80,705	4,916	709
Less:						
Deemed dividend to mezzanine classified noncontrolling interests	—	—	—	(5,762)	(15,717)	(2,266)
Accretions to preference shares redemption values	(64,597)	(56,704)	—	—	—	—
Income attributable to preference shareholders	—	(7,620)	—	—	—	—
Net income/(loss) attributable to 58.com Inc.	<u>(256,481)</u>	<u>55,594</u>	<u>139,433</u>	<u>(1,573,640)</u>	<u>(783,764)</u>	<u>(112,982)</u>

	For the Year Ended December 31,					
	2012 RMB	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2016 US\$
(in thousands, except for share, per share and per ADS data)						
Net income/(loss)	(191,884)	119,918	139,433	(1,648,583)	(772,963)	(111,425)
Foreign currency translation adjustment, net of nil tax	245	8,745	(3,192)	(69,708)	(76,027)	(10,960)
Unrealized gain/(loss) on available-for-sale securities	—	—	(6,804)	16,919	(13,104)	(1,889)
Reclassification into investment loss, net of nil tax	—	—	—	—	2,989	431
Total comprehensive income/(loss)	(191,639)	128,663	129,437	(1,701,372)	(859,105)	(123,843)
Net income/(loss) per ordinary share attributable to ordinary shareholders – basic	(5.80)	0.87	0.83	(6.70)	(2.73)	(0.39)
Net income/(loss) per ordinary share attributable to ordinary shareholders – diluted	(5.80)	0.80	0.80	(6.70)	(2.73)	(0.39)
Net income/(loss) per ADS attributable to ordinary shareholders – basic	(11.59)	1.75	1.65	(13.40)	(5.46)	(0.79)
Net income/(loss) per ADS attributable to ordinary shareholders – diluted	(11.59)	1.61	1.60	(13.40)	(5.46)	(0.79)
Weighted average number of ordinary shares used in computing basic earnings/(losses) per share	44,245,388	63,717,007	168,589,273	234,811,986	286,975,068	286,975,068
Weighted average number of ordinary shares used in computing diluted earnings/(losses) per share	44,245,388	69,159,524	174,024,997	234,811,986	286,975,068	286,975,068

Notes:

(1) For the year ended December 31, 2015, the financial statement included the results of significant business combinations and acquisitions, deconsolidation of 58 Home and Guazi, and other related significant transactions, please refer to "Item 4. Information on the Company — A. History and Development of the Company."

(2) Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,					
	2012 RMB	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2016 US\$
(in thousands)						
Cost of revenues	189	227	109	760	490	71
Sales and marketing expenses	1,704	2,759	8,579	44,049	59,017	8,508
Research and development expenses	3,087	6,163	14,772	59,314	98,515	14,201
General and administrative expenses	5,568	8,573	14,473	72,482	108,553	15,648
Total	10,548	17,722	37,933	176,605	266,575	38,428

	As of December 31,					
	2012 RMB	2013 RMB	2014 RMB	2015 RMB	2016 RMB	US\$
Summary Data of Consolidated Balance Sheets:						
Cash, cash equivalents, term deposits and short-term investments	224,062	1,896,714	3,726,686	3,406,037	2,060,298	297,001
Total assets	354,853	2,032,344	4,307,360	26,380,294	25,326,006	3,650,858
Deferred revenues	181,994	335,935	583,359	1,344,563	1,845,846	266,087
Customer advances	69,394	130,284	220,182	981,429	1,236,076	178,186
Total liabilities	433,717	689,302	1,203,089	7,989,037	7,473,830	1,077,386
Total mezzanine equity	876,936	—	—	97,647	86,457	12,463
Total shareholders' equity/(deficit)	(955,800)	1,343,042	3,104,271	18,293,610	17,765,719	2,561,009
Number of ordinary shares outstanding	44,245,388	158,876,693	176,375,211	283,068,677	289,670,997	289,670,997

	For the Year Ended December 31,					
	2012 RMB	2013 RMB	2014 RMB	2015 RMB	2016 RMB	US\$
Summary Data of Consolidated Statements of Cash Flows:						
Net cash provided by/(used in) operating activities	(29,817)	409,411	606,717	198,538	1,887,849	272,143
Cash used in purchase of property and equipment	(32,995)	(25,866)	(199,631)	(1,255,553)	(212,449)	(30,625)
Cash paid for business acquisition of Anjuke and Ganji, net of acquisition of cash	—	—	—	(4,044,962)	(1,659,973)	(239,292)
Net cash used in investing activities	(171,411)	(1,424,626)	(1,884,031)	(2,781,242)	(3,948,027)	(569,126)
Net cash provided by financing activities	1,600	1,309,245	1,584,885	4,930,710	58,631	8,452

Change in Reporting Currency and Exchange Rate Information

Starting from December 31, 2016, we changed our reporting currency from U.S. dollars to Renminbi. The change in reporting currency is to facilitate investors to evaluate our financial results as most of our business operations are conducted in the PRC. Assets and liabilities of entities with functional currencies other than Renminbi are translated into Renminbi using the exchange rate on the balance sheet date. Revenues and expenses of entities with functional currencies other than Renminbi are translated into Renminbi using the average rate prevailing during the reporting period. Prior periods' financial information has been recasted as if we always used Renminbi as our reporting currency.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report were made at a rate of RMB6.9370 to US\$1.00, the middle rate published by the State Administration of Foreign Exchange, or SAFE, on December 30, 2016. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On April 21, 2017, the middle rate published by SAFE was RMB6.8823 to US\$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollars set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System for the periods indicated.

Period	Period End	Exchange Rate		
		Average ⁽¹⁾ (RMB per US\$1.00)	Low	High
2012		6.2301	6.2990	6.3879
2013		6.0537	6.1412	6.2438
2014		6.2046	6.1704	6.2591
2015		6.4778	6.2869	6.4896
2016		6.9430	6.6549	6.9580
October		6.7735	6.7303	6.7819
November		6.8837	6.8402	6.9195
December		6.9430	6.9198	6.9580
2017				
January		6.8768	6.8907	6.9575
February		6.8665	6.8694	6.8821
March		6.8832	6.8940	6.9132
April (through April 21, 2017)		6.8845	6.8871	6.8988

Source: Federal Reserve Statistical Release

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

We operate in a fast-evolving industry, which makes it difficult to evaluate our business and prospects.

We commenced operations in 2005 and many of the elements of our business are evolving and relatively unproven. The markets for our technology and products and services are relatively new and rapidly developing and are subject to significant challenges. Our business plan relies heavily upon growing our user base and exploring new market opportunities, and we may not succeed in any of these respects.

As the online marketing services and mobile services industries in China are relatively young and untested, there are few proven methods of projecting user demand or available industry standards on which we can rely. We cannot assure you that our attempts to expand our user base and products and services will be successful, profitable or widely accepted and therefore the future revenue and income potential of our business are difficult to evaluate. You should consider our prospects in light of the risks and uncertainties fast-growing companies with limited operating histories may encounter.

We may not be able to regain profitability.

We generated net income in 2014 but incurred losses in 2015 and 2016. Our loss in 2015 was attributable to increased competition and the fact that we had new initiatives such as 58 Daojia Inc., or 58 Home, a mobile-based closed-loop transactional platform for home services, and Guazi.com Inc., or Guazi, a subsidiary that operated our consumer-to-consumer (C2C) used car trading platform, that were still in early stages of development. We have ceased consolidating 58 Home's financial results in our consolidated financial statements since its completion of Series A equity financing round on November 27, 2015, and we divested Guazi on December 31, 2015. However, as we account for 58 Home as our equity investee, we share our portion of its income or loss. We may also decide to provide additional capital to support its business. Our loss in 2016 primarily resulted from our share of 58 Home's loss.

Furthermore, cash from operating activities was positive in each year from 2014 through 2016 but decreased significantly in 2015. Meanwhile, our cash used in investing activities exceeded our cash generated from operating activities in each year from 2014 through 2016 due to our increased merger and acquisition activities and our purchase of headquarters office space.

Our future profitability may also be significantly impacted by the success of our recent and new service and product offerings, such as our new mobile applications. As competition in these new services intensifies in China, we may choose to invest heavily to gain market share, which may adversely affect our profitability. We expect that we will continue to incur marketing and sales, research and development and other expenses to launch new services and grow our user base, which may affect our profitability and operating cash flow in the future. For example, we launched a new mobile application, Zhuan Zhuan (“转转”), which targets the consumer-to-consumer used products market. We have invested, and may continue to invest, in the marketing of Zhuan Zhuan (“转转”) and our other new service and product offerings. Our results of operations will be adversely affected if our new product initiatives including Zhuan Zhuan (“转转”) fail to generate sufficient revenue to recoup our investment and expenses. Our future profitability may also be significantly impacted by our integration with Anjuke and Ganji. We have consolidated Anjuke since March 2015 and Ganji since August 2015. The Ganji and Anjuke businesses have thousands of employees and their own respective users and merchant networks. Also, to a large extent, we currently have separate teams selling separate services for the 58, Ganji and Anjuke platforms. We are keeping their brands and hope to grow the user base and enhance monetization. Failure to integrate these businesses may adversely affect our profitability. There is no assurance that we may be able to achieve anticipated revenues, earnings or cash flows with respect to our acquired businesses.

In addition, our ability to achieve or maintain profitability is affected by various factors that are beyond our control. For example, our revenues and profitability depend on the continuous development of the online marketing industry in China and local merchants' allocation of more of their budgets to online marketing services. We cannot assure you that online marketing services will become more widely accepted in China or that merchants will increase their spending on online marketing services.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected and we may incur net loss in the future. If we are unable to maintain positive operating cash flows, we may need to seek debt or equity financing or may cease to operate as a going concern. Further equity financings may dilute our existing shareholders.

We may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading.

In July 2016, the State Administration for Industry and Commerce of the People's Republic of China, or SAIC, promulgated the Interim Administrative Measures for Internet Advertisements, or the Interim Measures, which became effective on September 1, 2016. The Interim Measures provide for, among other things, a more detailed definition of online advertising and the obligations and liabilities of online advertising operators and distributors. Certain parts of our business which were not specified as forms of advertising under previous regulations, such as priority listing in the yellow page business may now be deemed as online advertising business under the Interim Measures and subject to the Interim Measures and other PRC advertising laws and regulations.

The PRC advertising laws and regulations, including the Interim Measures, prohibit advertising operators and distributors from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations, impairs the national dignity of the PRC, involves designs of the PRC national flag, national emblem or national anthem or the music of the national anthem, is considered reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. We, as a platform for online classifieds and listings, have higher obligations with respect to the advertisements placed on our websites than to other information posted on our websites. For example, under the Interim Measures, internet advertisement shall be labeled visibly and distinguishably as “advertisement” for identification by the consumers. We are obligated to monitor the advertising content and examine the supporting documents for advertisements provided by advertisers to ensure that the content is accurate and in compliance with applicable law. In addition, where a special government review is required for specific categories of advertisements before posting, we are obligated to confirm that such review has been performed and approval, if required, has been obtained. We are also required to employ personnel familiar with the advertising laws to review advertisements or set up a special Internet advertisement review department. We have adopted policies and procedures and have provided training to our content review team to ensure our compliance with these new measures. However, PRC advertising laws and regulations do not provide clear guidance on the content standards. If we are found in violation of these regulations we will be subject to penalties such as fines and confiscation of advertising income. We may also be ordered to cease dissemination of the advertisements. In circumstances involving serious violations, the SAIC or its local branches has the authority to suspend the violators' advertising business or revoke the violators' business licenses. Furthermore, we may be subject to claims by consumers misled by advertisements placed on our websites.

If we fail to continually anticipate user preferences and provide attractive services on our online platforms, we may not be able to grow and retain our user base.

Our success depends on our ability to grow and retain our user base. In order to attract and retain users and compete against our direct competitors and other industry or content-specific vertical websites, we must continue to innovate and introduce services that our users find useful and attract them to use our online platforms more frequently and become our paying users. For example, we must continue to develop new content categories on our online platforms that appeal to our users. The popularity of online marketing services and other internet services is difficult to predict, and we cannot be certain that the services we offer will continue to be popular with our users or sufficiently successful to offset the costs incurred to offer these services. Given that we operate in a rapidly evolving industry in China, we need to continually anticipate user preferences and industry changes and respond to such changes in a timely and effective manner. If we fail to anticipate and meet the needs of our users, the size of our user base may decrease. A decrease in our user base would render our online platforms less attractive to merchants and may reduce our membership and online marketing revenues, which may have a material and adverse effect on our marketing business, financial condition and results of operations.

If we fail to retain existing or attract new local merchants to use our online platforms and pay for our membership and online marketing services, our business, financial condition and prospects may be materially and adversely affected.

The success of our business depends on our ability to attract and retain local merchants that provide information on our online platforms to consumers and pay for our membership and online marketing services and to offer attractive products and services to our consumer users. If we are unable to grow and maintain a healthy ecosystem of local merchants, our users may find our online platforms to be less useful than expected and may not continue to use our online platforms. This in turn may affect our ability to attract new merchants and convince existing merchants to renew their paid memberships or increase their level of spending on our services. Our membership contracts have terms ranging from one month to one year. A significant portion of our paying merchant members are small and medium-sized local merchants who fail to renew their membership contracts upon expiration for a number of reasons. In particular, Ganji and Anjuke have only a low percentage of their paying merchants purchasing real time bidding services due to a lack of experience in this area prior to our acquisition. There is no assurance that we could successfully drive the increase in paying merchant members using such platforms going forward. The competitive landscape for such local merchants changes quickly and they may have only temporary or occasional recruiting or marketing needs. In addition, our efforts to provide greater incentives for our existing paying merchant members to use our online marketing services, including marketing activities to highlight the value of differentiated paying merchant members-only services, may not be successful. Our customers may terminate their memberships or other spending on our online marketing services because we no longer serve their needs or because their demands can be better fulfilled by our competitors or other service providers. Our ability to maintain or grow our membership base may also be affected by changes in China's macro economy. For example, largely due to unfavorable housing policies, memberships in the housing vertical suffered a negative impact, resulting in a slower growth in our paying membership accounts in the fourth quarter of 2016, as compared with the previous quarters. Furthermore, we have used our own sales teams to replace third-party sales agencies in selected industry verticals and may continue to do so. As a result of this transition, we may lose paying merchants who have established relationships with the third-party agencies or who are not satisfied with the performance of our own teams. Decisions by our customers not to renew their memberships or not to use our online marketing services could reduce our revenues, as well as cause us to incur additional cost in attracting new paying merchant members and other customers. A significant increase in local merchant attrition or decrease in local merchant spending on our services would have an adverse effect on our business, financial condition and results of operations.

Strategic acquisition of businesses and assets, and the subsequent integration of newly acquired businesses into our own, create significant challenges that may have a material adverse effect on our business, reputation, results of operations and financial condition.

Since our IPO in October 2013, we have made a number of acquisitions and investments, including several major ones. In March 2015, we acquired Anjuke, a major online real estate listing platform in China, for a combination of share consideration and cash, including 4.8 million newly issued ordinary shares of our company and US\$160.2 million in cash. We also issued 0.2 million fully vested restricted share units of our company to former Anjuke employees as part of the share consideration. In April 2015, we acquired a less than 50% equity stake in Ganji, a major online local services platform in China, for a combination of share consideration and cash, including 34.0 million newly issued ordinary shares of our company and US\$412.2 million in cash. Later in 2015, our company, as a limited partner, committed an aggregate of 46.5 million newly issued ordinary shares and US\$406.7 million in cash to several private equity funds, of which all the ordinary shares and US\$272.4 million in cash were contributed in August 2015. These funds are dedicated to investing in businesses in China and are separately managed by different investment entities as general partners which are unaffiliated with each other and unaffiliated with us. These funds, together with Tencent, acquired all the remaining equity interests in Ganji in August 2015. We also transferred an aggregate of 4.4 million fully vested restricted share units of our company and US\$51.0 million in cash to former Ganji employees. As a result of the foregoing transactions, we have consolidated the financial statements of Anjuke into our financial statements since March 2015, and Ganji's financial statements into our own since August 2015.

The addition of Anjuke has strengthened our market position in the online rental and secondary property sales markets and has allowed us to enter the primary home sales segment. The acquisition of the strategic stake in Ganji and our subsequent business cooperation and integration have allowed us to increase our market share in the job, housing, yellow page local services and used car categories and reduce marketing costs and expenses. Ganji's integration continued to progress well as we gradually realized more synergies. However, Anjuke and Ganji are major businesses with thousands of employees in distributed locations. They also have their own respective user bases and merchant networks that might not overlap with those of 58. Their business processes and practices, system infrastructure and architecture and company values are also different from those of 58. We might experience unexpected employee turnover or loss of users and customers after our acquisition or investment. These acquisitions and investments expose us to potential risks, including risks associated with unforeseen or hidden liabilities, diversion of management attention and resources from our existing business and inability to generate sufficient revenues to offset the costs and expenses of the acquisition or investment.

Other than Anjuke and Ganji, we have made various other acquisitions and investments since our IPO in 2013. If we fail to integrate these acquired businesses or the companies in which we invested fail to grow as we expect or continue to generate losses, we may experience losses in our acquisitions and investments.

If we are presented with appropriate opportunities in the future, we may acquire or invest in additional businesses or assets that are complementary to our business. However, strategic acquisitions and the subsequent integration of new businesses and assets into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. In addition, acquisitions could result in potential dilutive issuances of equity securities, use of substantial amounts of cash, and exposure to potential ongoing financial obligations and unforeseen or hidden liabilities of the acquired businesses. The cost and duration of, and difficulties in, integrating newly acquired businesses and managing a larger overall business could also materially exceed our expectations. Moreover, we may not be able to achieve our intended strategic synergies and may record substantial impairment charges to goodwill, if we fail to successfully integrate the newly acquired businesses or manage a larger business. Our equity investees may generate significant losses, a portion of which will be shared by us in accordance with U.S. GAAP. In addition, we may incur impairment losses if the financial or operating results of those investees fail to meet the expectations. Any such negative developments could have a material adverse effect on our business, reputation, results of operations and financial condition.

We face intense competition, and if we do not compete successfully against existing and new competitors, we may lose market share and suffer losses.

We face intense competition. Our competitors in the online marketing space include other smaller multi-category online classifieds companies as well as industry or content-specific vertical websites whose information serve the same underlying industries as certain content categories of our online platforms. For example, Anjuke, our online real estate listing platform, competes with other listing platforms in the real estate industry. We may also face competition from major internet companies, who may enter the online classifieds market in China. We compete primarily on the basis of user traffic, effectiveness of services in reaching targeted users, ability to demonstrate marketing results and customer service capabilities.

We believe that our competitiveness depends upon many factors both within and beyond our control, including our ability to increase our brand recognition and continue to develop user loyalty, our ability to keep up with the technological developments and users' changing demands and our ability to raise sufficient capital to sustain and expand our business. For example, we may have to increase our sales and marketing expenses from time to time to promote our brand, especially when the competition is intense. Some of our current and potential competitors may have greater financial, marketing, user traffic and other resources than we have. In addition, local content providers may be acquired by, receive investments from or enter into strategic relationships with larger, well-established and well-financed companies or investors. Certain of our competitors may be able to devote greater resources to marketing and promotional campaigns and devote substantially more resources to website and system development than us. Increased competition may reduce our market share and require us to increase our marketing and promotion efforts, which could negatively affect our operating margins or force us to incur losses. There can be no assurance that we will be able to compete successfully against current and future competitors or maintain our leading position or level of user traffic in the online marketing services market in China, and competitive pressures may have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not be able to effectively manage our growth and expansion or implement our business strategies, in which case our business and results of operations may be materially and adversely affected.

We have experienced a period of rapid growth and expansion, which has placed, and continues to place, significant strain on our management and resources. We cannot assure you that this level of significant growth and expansion will be sustainable or achieved at all in the future. We believe that our continued growth and expansion will depend on our ability to develop new sources of revenue, attract new users, paying merchant members and customers, retain and expand paying merchant members and customers, encourage additional spending by our customers, continue developing innovative technologies in response to user demand, increase brand awareness through marketing and promotional activities, react to changes in user access to and use of the internet, expand into new market segments, integrate new devices, platforms and operating systems and take advantage of any growth in the relevant markets. We cannot assure you that we will achieve any of the above.

To manage our growth and expansion, and to attain and maintain profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with our paying merchant members and customers. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. Our further expansion may divert our management, operational or technological resources from our existing business operations. In addition, our expansion may require us to operate in new cities in China, including a number of small cities in China, where we may have difficulty in satisfying local market demands and regulatory requirements. We cannot assure you that we will be able to effectively manage our growth and expansion or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

Any damage to our reputation and brands or failure to enhance our brand recognition may materially and adversely affect our business, financial condition and results of operations.

Our major brands include 58.com, Ganji and Anjuke. We believe that the market recognition and reputation of our brands have significantly contributed to the success of our business. Maintaining and enhancing our brands is critical to our success and ability to compete. Many factors, some of which are beyond our control, may negatively impact our brand and reputation, such as:

- any failure to maintain a pleasant and reliable experience for users as their preferences evolve and as we expand into new services;
- any decrease in brand awareness among our existing and potential users; and
- any negative publicity about us or online marketing services or mobile services in general, including any actual or perceived security or product or service quality problems involving online marketing service providers in China.

Although all of our paying merchant members and a growing number of registered users go through certain verification procedures, fraudulent transactions and sale of counterfeit or pirated, as well as faulty or defective, items through our online platforms have occurred in the past and may occur in the future. In the past, we found several counterfeit products sold through our websites primarily relating to our group buying business, which we significantly scaled back since mid-2012, and immediately stopped the sellers from selling such counterfeit products. Although we do not believe that we are responsible for the sellers' wrongdoings, several Chinese media reported the incidents and accused us of failure to safeguard buyers' rights on our websites. These incidents and any similar incidents or true or untrue claims of such incidents could harm our reputation, impair our ability to attract and retain users and grow our base of paying customers. If we are unable to maintain a good reputation, further enhance our brand recognition, continue to develop our user loyalty and increase positive awareness of our websites, our results of operations may be materially and adversely affected.

In addition, any claims or negative publicity about our company, our products and services, our employees, our business practices, regardless of their veracity, could harm our brand image and in turn adversely affect our business and results of operations. We cannot assure you that we will be able to defuse negative publicity to the satisfaction of our investors, users, customers and business partners. From time to time, there have been claims or negative publicities about our company and our business practice, which adversely affected our public image and reputation during the period of such negative publicities. Intense negative publicities may divert our attention and may adversely impact our business, and we cannot assure you that our brands, public image and reputation will not be materially and adversely affected.

We have incurred significant costs on a variety of marketing efforts, including significant advertising expenses, designed to attract users, and some marketing campaigns and methods may turn out to be ineffective.

We have invested significantly in marketing to promote public awareness of online marketing services, enhance our brand recognition and drive user growth, including incurring RMB451.2 million, RMB1.8 billion and RMB2.0 billion in advertising expenses in 2014, 2015 and 2016, respectively. Such advertising expenses represented 40.8%, 42.0% and 41.3% of our total sales and marketing expenses and 27.7%, 40.5% and 26.9% of our revenues in the corresponding periods. Our marketing activities may not be well received by users and may not attract the additional traffic that we anticipated. The evolving marketing approaches and tools require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and user preferences. Failure to refine our existing marketing approaches or to introduce new effective marketing approaches in a cost-effective manner could reduce our market share, cause our revenues to decline and negatively impact our profitability.

We derive a significant portion of our revenues from five of China's major cities and we face market risk due to our concentration in these major urban areas.

We derive a significant portion of our revenues from five of China's major cities: Beijing, Shanghai, Shenzhen, Guangzhou and Chengdu. We expect these five cities to continue to be important sources of revenues in all of our content categories. If any of these major cities experience events which negatively impact the internet industry, such as a serious economic downturn or contraction, a natural disaster, or slower economic growth due to adverse governmental policies or otherwise, demand for our services could decline significantly and our revenues and profitability could be materially reduced. Any of these cities may experience decreases in demand for services related to specific content categories on our platforms, such as real estate or automotive, due to local policies, regulations or economic conditions. In addition, if a competitor, including a local competitor whose business focuses on one of these cities, were to gain significant market share in any of these cities, our revenues may be materially and adversely affected.

The markets for online marketing services and mobile services in China are constantly evolving and may not grow as quickly as expected or at all.

Our business and prospects are affected by the development of emerging internet business models in China, including those for online marketing services and mobile services. Our membership services and other online marketing services have distinct business models which may differ from models for these businesses in other markets, such as the United States, and that are in varying stages of development and monetization. Our future success will depend on our ability to respond to rapidly changing technologies, adapt our products and services to evolving industry standards and improve the performance and reliability of our products and services. Our failure to adapt to such changes could harm our business. In addition, changes in user behavior resulting from technological developments may also adversely affect us. We cannot assure you that the online marketing services and mobile services industries in China will continue to grow as rapidly as they have in the past or at all. With the development of technology, new internet services may emerge which are not a part of our service offerings and which may render online marketing services or mobile services less attractive to users. The growth and development of these industries are affected by numerous factors, such as the macroeconomic environment, regulatory changes, technological innovations, development of internet and internet-based services, users' general online experience, cultural influences and changes in tastes and preferences. If the online marketing services and mobile services industries in China do not grow as quickly as expected or at all, or if we fail to benefit from such growth by successfully implementing our business strategies, our business and prospects may be adversely affected.

Our real estate vertical is susceptible to fluctuations in China's real estate industry, and if we are unable to continue to obtain listings from our key real estate market participants, the results of operations and financial performance of our real estate vertical could be materially and adversely affected.

We derive a significant portion of our revenues from the real estate content category, or vertical. Our 58 and Ganji platforms have mainly secondary property sales and rental listings, while our Anjuke platform has both primary and secondary property sales listings, with the Anjuke platform contributing the most to the revenues from the real estate vertical among the three platforms.

Our real estate vertical is susceptible to fluctuations in China's real estate industry. Demand for private residential real estate in China has grown rapidly in recent years but such growth is often coupled with volatility and fluctuations in real estate transaction volume and prices. Fluctuations of supply and demand in China's real estate industry are caused by economic, social, political and other factors. Over the years, governments at both national and local levels have announced and implemented various policies and measures aimed to regulate the real estate market, in some cases to stimulate further development and more purchase of residential real estate units and in other cases to restrict these activities from growing too rapidly. These measures can affect real estate buyers' eligibility to purchase additional units, their down payment requirements and financing, as well as availability of land to developers and their ability to obtain financing. These measures have affected and continue to affect the conditions of China's real estate market and cause fluctuations in real estate pricing and transaction volume. To the extent fluctuations in China's real estate industry adversely affect spending on real estate marketing, the results of operations and financial performance of our real estate vertical may be materially and adversely affected. Furthermore, the results of our business in the real estate vertical, such as that of Anjuke, are susceptible to seasonal fluctuations. For example, Anjuke's revenues are expected to be lower during holidays in China, such as the traditional Chinese New Year period in the first quarter of each year, during which time there are generally fewer housing transactions than in the rest of the year.

The success of our real estate vertical depends on our ability to persuade real estate agents, brokers, developers and property owners and managers to list their properties on our 58, Anjuke and Ganji platforms. We believe having large numbers of high-quality listings from such real estate market participants attracts users to our platforms, thereby enhancing our attractiveness to advertisers and other real estate market participants. However, our real estate listing agreements are typically non-exclusive, which we believe is generally consistent with industry practice. Our listing customers may stop using our listing services and may choose to use the services of one or more of our competitors or alternative means of marketing, such as real estate magazines or newspapers. If owners of large numbers of property listings, such as major developers or large brokers or property owners in key real estate markets choose not to list their properties on our platforms, our platforms could become less attractive to users. If we experience reduced user traffic on our platforms, advertisers and other real estate market participants may discontinue the use of or be unwilling to pay for our services. In such an event, the competitive position of our real estate vertical could be significantly weakened and our business, financial condition and results of operations could be materially and adversely affected.

If we fail to keep up with the technological developments and users' changing requirements or to successfully capture and retain a significant portion of the growing number of users that access online marketing services, we may be unable to meet our revenue growth expectations and our results of operation may be adversely affected.

The internet industries in China are subject to rapid and continuous changes in technology, user preferences, the nature of services offered and business models. Our success will depend on our ability to keep up with the changes in technology and user behavior resulting from technological developments. If we do not adapt our services to such changes in an effective and timely manner, we may suffer from decreased user traffic, which may result in a reduction of revenues from our membership services or a decrease in spending on our other services.

Our online marketing services are now accessible to users from many internet-enabled devices, and we offer versions of our services for mobile operating systems, including Android and iOS. An important element of our strategy is to continue to develop our online platforms and services for mobile devices to capture a greater share of the growing number of users that access online marketing services and other internet services through smartphones and other mobile devices. The lower resolution, functionality and memory associated with some mobile devices make the use of services through such devices more difficult and the services we develop for these devices may fail to prove compelling to users. Manufacturers or distributors may establish unique technical standards for their devices, and our services may not work or be viewable on these devices as a result. As new devices and new services are continually being released, it is difficult to predict the problems we may encounter in developing our services for use on these devices and we may need to devote significant resources to the creation, support and maintenance of such services. Devices providing access to our products and services are not manufactured and sold by us, and we cannot assure you that the companies who manufacture or sell these devices would always ensure that their devices perform reliably and are maximally compatible with our systems. Any faulty connection between these devices and our products and services may result in consumer dissatisfaction with us, which could damage our brand and have a material and adverse effect on our financial results. Furthermore, new online marketing services may emerge which are specifically created to function on mobile platforms, as compared to our online marketing services that were originally designed to be accessed through personal computers (“PCs”), and such new services may operate more effectively through mobile devices than our own. If we are unable to attract and retain a substantial number of mobile device users to our services, or if we are slower than our competitors in developing attractive services that are adapted for such devices, we may fail to capture a significant share of an increasingly important portion of the market for our services or lose existing users, either of which may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, changes in technologies may require substantial capital expenditures in development of new features, applications and services as well as in modification of existing features, applications, services or infrastructure. We may not successfully execute our business strategies due to a variety of reasons such as technical hurdles, misunderstandings or erroneous predictions of market demand or lack of necessary resources. Failure in keeping up with technological developments may result in our online platforms being less attractive, and as a result we may be unable to meet our revenue growth expectations and our results of operations may be adversely affected.

If internet search engines' ranking methodologies are modified or our search result page rankings decline for other reasons, our user traffic could decrease.

We depend in part on various internet companies to direct traffic to our websites. Our ability to maintain the number of visitors directed to our websites is not entirely within our control. Our competitors' search engine optimization efforts may result in their websites receiving a higher search result page ranking than ours, or internet companies could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of our search result page ranking. If internet companies modify their search algorithms in ways that are detrimental to our user growth or in ways that make it harder for our users to find our websites, or if our competitors' search engine optimization efforts are more successful than ours, our overall growth in user traffic could slow down or decrease, and we could lose existing users. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our websites would harm our business and results of operations.

Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business may be severely disrupted if we lose their services.

We currently depend on the continued services and performance of the key members of our management team, in particular Mr. Jinbo Yao, our chairman and chief executive officer. Mr. Yao is one of our founders and his leadership has played an integral role in our growth. Our future success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their service, we might not be able to replace them in a timely manner, or at all, and our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose users, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and a confidentiality and non-competition agreement with us. However, if any dispute arises between our executive officers and key employees, on one hand, and us on the other, we cannot assure you that we would be able to enforce these non-compete provisions in China, where these executive officers reside, in light of uncertainties with the PRC legal system. See “— Risks Related to Doing Business in China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.”

If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly management, technical and marketing personnel with expertise in the online marketing industry. Our field sales and customer service teams are also critical to maintaining the quality of our services as they interact with local merchants on a daily basis. We must continue to attract qualified personnel at a fast pace to keep up with our growing user base and the scale of our operations. Since our industry is characterized by high demand and intense competition for talent, there can be no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. As we are still a relatively young company, our ability to train and integrate new employees into our operations may not meet the growing demands of our business. If we are unable to attract, train, and retain qualified personnel, our business may be materially and adversely affected.

Future strategic alliances, acquisitions or business disposals may have a material and adverse effect on our business, reputation and results of operations.

We may enter into strategic alliances with various third parties to further our business purposes from time to time. For example, in June 2014, we entered into a strategic partnership with Tencent Holdings Limited, or Tencent, a leading provider of comprehensive Internet services in China, pursuant to which Tencent invested US\$736.1 million in exchange for an approximately 19.9% equity interest in our company on a fully-diluted basis. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counter-party, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. In addition, to the extent the strategic partner suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties, and we may have little ability to control or monitor their actions.

Investments and acquisitions and the subsequent integration of new assets and businesses into our own require significant attention from our management and may divert resources from our existing business, which in turn could have an adverse effect on our business operations. Invested or acquired assets or businesses may not generate the financial results we expect and may adversely affect our results of operations. Furthermore, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired businesses. Moreover, the costs of identifying and consummating acquisitions may be significant.

Furthermore, the legal requirements on acquisitions by us and our PRC subsidiaries are different from acquisitions by our consolidated affiliated entities. Most importantly, if we or our PRC subsidiaries acquire any domestic companies in China, such acquisition will be subject to PRC laws and regulations on foreign investment. We and our PRC subsidiaries are restricted or prohibited from directly acquiring interests in companies in certain industries under PRC laws and regulations. See “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Value-Added Telecommunication Services.” Our consolidated affiliated entities are not subject to PRC laws and regulations on foreign investment and may acquire PRC companies operating in industries where foreign investments are restricted or prohibited. However, there are uncertainties with respect to the interpretation and application of PRC laws and regulations regarding indirect foreign investments in such industries. See “— Risks Related to Our Corporate Structure and Restrictions on Our Industry — Substantial uncertainties and restrictions exist with respect to the interpretation and application of PRC laws and regulations relating to online commerce and the distribution of internet content in China. If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, we could be subject to severe penalties, including the shutting down of our websites.”

On December 31, 2015, we sold our controlling ownership stake in Guazi, a subsidiary that operated our consumer-to-consumer (C2C) used car trading platform, to Mr. Mark Haoyong Yang, the former co-chairman of our board of directors and our former co-chief executive officer, for cash consideration of US\$50.0 million. We concurrently used the proceeds to invest in a US\$50 million non-interest bearing convertible note issued by Guazi and converted the convertible note into series B preference shares of Guazi in March 2016. In June 2016, we sold all of our interests in Mighty Talent Limited, or Mayi, a China-based short-term and vacation rental platform that was owned by Ganji, to Tujia.com Inc., or Tujia, in return for equity interests in Tujia. Concurrently with the sale of Mayi, we also acquired additional equity interests in Tujia. As a result of these transactions, we hold less than 5% of equity interests in Tujia.

We may dispose of other businesses that we control, particularly ones that are not closely related to our core focus areas or might require more resources or financial capital than we can allocate to them. These decisions are largely based on our management's assessment of the business models and likelihood of success of these businesses. Our judgment could be inaccurate and divesting ownership of these businesses might negatively affect our operations or long-term value.

The proper functioning of our platforms, network infrastructure and information technology systems is essential to our business, and any failure to maintain the satisfactory performance, security and integrity of our systems will materially and adversely impair our ability to provide services and affect our business, reputation, financial condition and results of operations.

The proper functioning of our platforms is essential to the conduct of our business. Specifically, the satisfactory performance, reliability and availability of our websites and mobile applications, our transaction-processing systems and our network infrastructure are critical to our success and our ability to attract and retain users and provide adequate services. Our revenues depend on the user traffic on our websites and the volume of activities that traffic creates.

In addition, our ability to provide consumers and local merchants with a high-quality online experience depends on the continuing operation and scalability of our network infrastructure and information technology systems. The risks we face in this area include:

- our systems are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking and similar events;
- we may encounter problems when upgrading our systems or services and undetected programming errors could adversely affect the performance of the software we use to provide our services. The development and implementation of software upgrades and other improvements to our internet services is a complex process, and issues not identified during pre-launch testing of new services may only become evident when such services are made available to our entire user base; and
- we rely on servers, data centers and other network facilities provided by third parties, and the limited availability of third-party providers with sufficient capacity to house additional network facilities and broadband capacity in China may lead to higher costs or limit our ability to offer certain services or expand our business. In particular, electricity, temperature control or other failures at the data centers we use may adversely affect the operation of our servers or result in service interruptions or data loss.

These and other events in the past occasionally led to and may in the future lead to interruptions, decreases in connection speed, degradation of our services or the permanent loss of user data and uploaded content. Any system interruptions caused by telecommunications failures, computer viruses, or hacking or other attempts to harm our systems that result in the unavailability of our websites and mobile applications or reduced performance would reduce the attractiveness of the services offered on our online platforms. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party service providers, our reputation or relationships with our users may be damaged and our users may switch to our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with the PRC internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our websites. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, service marks, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark law, trade secret protection and confidentiality and license agreements with our employees, partners and others to protect our proprietary rights. As of March 31, 2017, we had registered 37 domain names that are material to our business, including www.58.com, www.58.com.cn, www.ganji.com, www.ganji.com.cn, www.anjuke.com and www.anjuke.cn, and 848 trademarks in China, excluding those relating to 58 Home. As the registrant of the trademarks, Beijing 58 Information Technology Co., Ltd., or Beijing 58, has an exclusive right to use such trademarks in China for the goods or services under the trademark categories that it has registered. Beijing 58 also enjoys the exclusive right to use the domain names that it has registered. However, trademarks may also be invalidated, circumvented or challenged. For example, under PRC law, certain graphics may not be registered as a trademark and if a registered trademark is found to violate such prohibition, the relevant authority can invalidate the trademark; third parties may challenge such registered trademarks and apply to the authority for invalidation. In addition, if a registered trademark is identical or similar to a well-known trademark or prejudices the existing right obtained by others, it may be invalidated by the relevant authority upon request by the right holder. Trade secrets are difficult to protect, and our trade secrets may be leaked or otherwise become known or be independently discovered by competitors. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach.

It is often difficult to enforce intellectual property rights in China. Even where adequate laws exist in China, it may not be possible to obtain prompt and equitable enforcement of such laws, or to obtain enforcement of a court judgment or an arbitration award delivered in another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our technologies.

We may not be able to successfully halt the operations of websites that aggregate our data as well as data from other companies, including social networks, or “copycat” websites that have misappropriated our data in the past or may misappropriate our data in the future.

From time to time, third parties have misappropriated our data through website scraping, robots or other means and aggregated this data on their websites. In addition, “copycat” websites have misappropriated data on our websites and attempted to imitate our brand or the functionality of our websites. When we have become aware of such websites, we have taken measures to halt such conduct. However, we may not be able to detect all such websites in a timely manner and the measures we take may be insufficient to stop their conduct. In those cases, our available remedies may not be adequate to protect us against such websites. Regardless of whether we can successfully enforce our rights against these websites, any measures that we may take could require us to expend significant financial or other resources.

We may be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. We face, from time to time, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair competition against our competitors. As we face increasing competition and sometimes have to take defensive measures in response to competitive pressure and as litigation become more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement and unfair competition claims. Intellectual property and unfair competition claims and litigation may be expensive and time-consuming to investigate and defend, and may divert resources and management attention from the operation of our business. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to be made to our websites to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

We utilize software that selectively identifies classified information listings on other websites in certain content categories for which our certification procedure is not required and replicates such listings on our websites. These replicated listings are not given individualized registered user accounts and are not counted as listings for purposes of calculating the listings per day posted by our users as disclosed in this annual report. If an original poster wants to delete a replicated listing on our websites, the poster can either use our online self-help functions or contact our customer service online to delete the listing. We do not explicitly indicate the replicated listings on our websites, although we notify our users of the replicated nature of the listings upon inquiry. We believe this is a widespread practice in our industry in China. However, the practice may be deemed to be in violation of the PRC Anti-Unfair Competition Law. If other market participants bring legal claims against us for conducting unfair competition, we may be held liable by the court and be required to pay damages to the plaintiffs equal to the losses suffered by the market participants as a result of the unfair competition practices or, if it is difficult to calculate the losses, equal to the aggregate profits earned through the unfair competition practices and the reasonable expenses incurred by the plaintiffs to investigate the unfair competition practices. We have never generated revenue from replicated listings. In addition, if the replicated listings are protected under copyright law, the practice of replicating listings may be deemed to be copyright infringement. In such case, we may be required to cease the act of infringement, eliminate any influence caused, apologize to and pay damages to the copyright owners and be subject to penalties including confiscation of illegal gains and imposition of fines by the relevant governmental authorities. In addition, we have from time to time been the subject of critical media coverage due to this practice, which could harm our reputation and business.

We may be held liable to third parties for information or content displayed on, retrieved from or linked to our websites, or distributed to website users, which could harm our reputation and business.

Our online marketing services enable users to exchange local business or service information, generate content, market products and services, conduct business and engage in various other online activities. Claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, tort (including personal injury), fraud, other unlawful activity or other theories and claims based on the nature and content of information to which we link or that may be posted on our websites, generated by our users, or delivered or shared hypertext links to third-party websites, or video or image services, if appropriate licenses and/or third-party consents have not been obtained. Third-parties may also seek to assert claims against us alleging unfair competition or violations of privacy rights or failure to maintain the confidentiality of user data. Our defense of any such actions could be costly and involve significant time and attention of our management and other resources.

We are also regularly approached and asked to remove content uploaded by users on the grounds of alleged copyright or personal rights infringement. In such cases, we investigate the claims and remove any uploads that appear to infringe the rights of a third party after our reasonable investigation and determination. Our corporate policy requires a user to enter into a user agreement in the registration process before posting any content on our websites. Pursuant to the user agreement, a user makes certain representations and warranties relating to the user generated content on our websites. See "Item 4. Information on the Company — B. Business Overview — Content Management and Monitoring." However, we have been and in the future may be subject to intellectual property infringement claims or other allegations by third parties for services provided or content displayed on our websites. Although we believe that we will have recourse to indemnification from alleged infringing users on the basis of the user agreement, such right to recourse is subject to the enforcement mechanism of PRC legal system, which may not be effective. Our data security team also screens our websites to eliminate content that we believe may infringe copyrights. Although our internal policy, terms of our user agreements and the screening system are designed to help limit the occurrences and impact of infringing activities, they may not be effective in eliminating such occurrences or dissemination of infringing materials on our websites.

Pursuant to PRC national and Beijing local regulations and judicial interpretations, online service providers that provide information storage space for users to upload works or link services may be held liable for damages if such providers know or have reason to know that the works uploaded or linked infringe others' copyrights. The Supreme People's Court of China promulgated a judicial interpretation on infringement of the right of dissemination through internet in December 2012. This judicial interpretation, like certain court rulings and certain other judicial interpretations, provide that the courts will place the burden on internet service providers to remove not only links or contents that have been specifically mentioned in the notices of infringement from right holders, but also links or contents they should have known to contain infringing content. The interpretation further provides that where an internet service provider has directly obtained economic benefits from any contents made available by an internet user, it has a higher duty of care with respect to internet users' infringement of third-party copyrights. This interpretation could subject us and other online service providers to significant administrative burdens and litigation risks.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our services.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and operating results. Pursuant to the applicable PRC laws and regulations concerning the collection, use and sharing of personal data, our PRC subsidiaries and consolidated affiliated entities are required to keep our users' personal information confidential and are prohibited from disclosing such information to any third parties without the users' consent. We apply strict management and protection to any information provided by users, and under our privacy policy, without our users' prior consent, we will not provide any of our users' personal information to any unrelated third party. In December 2012 and July 2013, new laws and regulations were issued by the standing committee of the PRC National People's Congress and the MIIT to enhance the legal protection of information security and privacy on the internet. The laws and regulations also require internet operators to take measures to ensure confidentiality of information of users. In November 2016, the Standing Committee of the PRC National People's Congress promulgated the PRC Cyber Security Law, which, among others, prohibits network operators from collecting personal information irrelevant to their services. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is shared with merchants or others may adversely affect our ability to share certain data with merchants, which may limit certain methods of targeted marketing. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower user traffic on our websites. A significant reduction in user traffic could lead to lower revenues from paying users, which could have a material adverse effect on our business, financial condition and results of operations.

We could be liable for any breach of security relating to the third-party online payment platforms we use, and concerns about the security of internet transactions could damage our reputation, deter current and potential users from using our online platforms and have other adverse consequences to our business.

Users may conduct transactions on our online platforms through third-party online payment platforms. In these online payment transactions, secured transmission of confidential information, such as customers' credit card numbers and expiration dates, personal information and billing addresses, over public networks is essential to maintain consumer confidence. In addition, we expect that an increasing amount of our sales and transactions conducted on our online platforms will be conducted over the internet as a result of the growing use of online payment platforms. As the prevalence of using online payment methods increases, associated online crimes will likely increase as well. Our current security measures and those of the third-party online payment platform service providers may not be adequate. We must be prepared to increase and enhance our security measures and efforts so that our users have confidence in the reliability of the online payment platforms that we use, which will impose additional costs and expenses and may still not guarantee complete safety. In addition, we do not have control over the security measures of our third-party online payment platform service providers. Security breaches of the online payment platforms that we use could expose us to litigation and possible liability for failing to secure confidential user information and could, among other things, damage our reputation.

A significant barrier to financial transactions or other electronic payment processing platforms over the internet in general has been public concern over the security of online payments. If these concerns are not adequately addressed, they may inhibit the growth of paid online services generally. If an internet or mobile network security breach were to occur and get publicized, the perceived security of the online payment platforms may be damaged, and users concerned about the security of their transactions may become reluctant to purchase our services even if the publicized breach did not involve payment platforms or methods used by us.

If any of the above were to occur and damage our reputation or the perceived security of the online payment platforms that we use, we may lose users and user traffic, and users may be discouraged from purchasing our services, which may have an adverse effect on our business. Any significant reduction in user traffic could lead to lower revenues from membership and online marketing services.

Spammers and malicious applications may make our services less user-friendly and discourage users from using our websites or services.

Spammers may use our websites and services to send targeted and untargeted spam messages to users, which may embarrass or annoy users and make usage of our websites and services more time-consuming and less user-friendly. As a result, our users may use our services less or stop using them altogether. As part of fraudulent spamming activities, spammers typically create multiple user accounts, such as accounts being set-up for the purposes of sending spam messages. Although we have technologies and employees that attempt to identify and delete accounts created for spamming purposes, we are not able to eliminate all spam messages from being sent on our websites.

Our business, financial condition and results of operations, as well as our ability to obtain financing, may be adversely affected by the downturn in the global or Chinese economy.

The online information services and mobile services industries may be affected by economic downturns. Thus, our business and prospects may be affected by the macroeconomic environment in China. A prolonged slowdown in the Chinese economy may lead to a reduced amount of activities on our platforms, which could materially and adversely affect our business, financial condition and results of operations. In addition, our products and services may be viewed as discretionary by our users, who may choose to discontinue or reduce spending on such products and services during an economic downturn. In such an event, our ability to retain existing paying merchant members and customers and recruiting new paying merchant members and customers will be adversely affected, which would in turn negatively impact our business and results of operations.

Moreover, a slowdown or disruption in the global or China's economy may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors' confidence, which constitutes the basis of the credit market. The recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the recent global financial and economic crisis and slowdown of China's economy may impact our business in the short-term and long-term, there is a risk that our business, results of operations and prospects would be materially and adversely affected by any global economic downturn or disruption or slowdown of China's economy.

We may need additional capital, and the sale of additional ADSs or other equity securities could result in additional dilution to our shareholders.

As of December 31, 2016, we had cash and cash equivalents, term deposits and short-term investments totaling RMB2.1 billion. Our ability to continue as a going concern is dependent on our ability to successfully execute our business plan, which includes increasing revenues while controlling operating expenses, as well as generating cash flows from operating activities and continuing to gain support from outside sources of financing. We can adjust the pace of our operation expansion and control our operating expenses. Although we believe that we have sufficient funds to meet our working capital requirements and debt obligations in the ordinary course of business for the next twelve months from the date of this annual report, we may require additional cash resources due to changed business conditions or other future developments, including to make any investments or acquisitions we may decide to pursue or to pay down loans from financial institutions. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. For example, in June 2014 and April 2015, we issued 36.8 million ordinary shares at the equivalent of US\$20.00 per ordinary share and 15.4 million ordinary shares at the equivalent of US\$26.00 per ordinary share, respectively, to a holding vehicle of Tencent Holdings Limited, or Tencent. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.

In connection with our independent registered public accounting firm's audit of the effectiveness of our internal control over financial reporting as of December 31, 2015, and our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015, we and our independent registered public accounting firm identified one "material weakness" in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB. The material weakness identified related to the lack of adequate resources with an appropriate level of knowledge in U.S. GAAP to properly account for significant complex transactions under U.S. GAAP. As a result, certain significant complex transactions were not initially accounted for properly.

We have undertaken certain remedial measures to improve our internal control over financial reporting and disclosure controls to address the material weakness. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2016 after the remediation. For details on these initiatives, please see "Item 15. Controls and Procedures —Remediation of Material Weaknesses in Internal Control over Financial Reporting Reported in 2015."

However, if we fail to maintain effective internal control over financial reporting in the future, our management may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. In addition, the process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that satisfies our reporting obligations. Our failure to discover and address any other material weaknesses or deficiencies may result in inaccuracies in our financial statements or delay in the preparation of our financial statements. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Ineffective internal control over financial reporting could also expose us to increased risk of fraud or misappropriations of corporate assets and subject us to potential delisting from the stock exchange on which our ADSs are listed, regulatory investigations or civil or criminal sanctions.

We have granted employee share options and other share-based awards in the past and will continue to do so in the future. We recognize share-based compensation expenses in our consolidated statement of comprehensive income/(loss) in accordance with U.S. GAAP. Any additional grant of employee share options and other share-based awards in the future may have a material adverse effect on our results of operation.

We adopted an employee stock option plan in 2010, or the 2010 Plan, and a share incentive plan in 2013, or the 2013 Plan, for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. Under the 2010 Plan, we are permitted to issue options to purchase up to 20,173,225 ordinary shares. Under the 2013 Plan, we are authorized to grant options, restricted shares, restricted share units or other awards to purchase up to 22,277,223 ordinary shares, consisting of 15,277,223 Class A ordinary shares and 7,000,000 Class B ordinary shares, including the automatic increase of 4,345,065 ordinary shares at the beginning of 2017 pursuant to the evergreen provision of the 2013 Plan. As of March 31, 2017, restricted share units to receive and options to purchase an aggregate of 9,336,174 ordinary shares were issued and outstanding under the 2013 Plan, and options to purchase an aggregate of 3,277,610 ordinary shares were issued and outstanding under the 2010 Plan. 58 Home, our significant investee accounted for under equity method, adopted a share incentive plan in 2015 and granted options and restricted shares under that plan to certain employees of 58 Home and our company. See "Item 6. Directors, Senior Management and Employees — B. Compensation." We have granted and may grant substantial additional share-based awards in connection with our acquisition of or investment in Ganji and other companies. As a result of these grants and potential future grants, we incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of share-based compensation expenses is based on the fair value of the share-based awards. We account for compensation costs for all share-based awards using a fair-value based method and recognize expenses in our consolidated statement of comprehensive income/(loss) in accordance with U.S. GAAP. The expenses associated with share-based compensation will increase our net loss or decrease our net income, perhaps materially, and the additional securities issued under share-based compensation plans will dilute the ownership interests of our shareholders, including holders of our ADSs. However, if we limit the scope of our share-based compensation plan, we may not be able to attract or retain key personnel who are expected to be compensated by incentive shares or options.

We have limited business insurance coverage.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. Except for the property insurance and third-party liability insurance purchased by Beijing Chengshi Wanglin Information Technology Co., Ltd., or Wanglin, we do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence of business disruption may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

In September 2014, we entered into an agreement to purchase 44,915 square meters of office space in Chaoyang District, Beijing, which is used as our company's new corporate headquarters. All of the space had been put in use for occupancy as of December 31, 2016. We have purchased a smaller office space in Tianjin as well. However, outside of Beijing and Tianjin, all of our offices in the other 53 cities and data centers were presently located on leased premises as of December 31, 2016. At the end of each lease term, we may not be able to negotiate an extension of the lease and may therefore be forced to move to a different location, or the rent we pay may increase significantly. This could disrupt our operations and adversely affect our profitability. We compete with other businesses for premises with certain characteristics or in desirable locations and some landlords may have entered into long-term leases with our competitors for such premises. As a result, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could materially and adversely affect our business.

Risks Related to Our Corporate Structure and Restrictions on Our Industry

Substantial uncertainties and restrictions exist with respect to the interpretation and application of PRC laws and regulations relating to online commerce and the distribution of internet content in China. If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, we could be subject to severe penalties, including the shutting down of our websites.

Foreign ownership of internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership in PRC companies that provide internet content distribution services. The State Council amended the Provisions on Administration of Foreign Invested Telecommunications Enterprises in February 2016. Specifically, foreign investors are not allowed to own more than 50% of the equity interests in any entity providing value-added telecommunication services. The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, or the MIIT Circular, issued by the MIIT in July 2006, reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain business operating licenses for internet content provision to conduct any value-added telecommunications business in China. Under the MIIT Circular, a domestic company that holds an internet content provision license, or ICP license, is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local ICP license holder or its shareholders. Due to a lack of interpretation from MIIT, it is unclear what impact the MIIT Circular will have on us or the other PRC internet companies that have adopted the same or similar corporate and contractual structures as ours. Beijing 58 and certain other consolidated affiliated entities of us hold ICP licenses, and own all domain names used in our value-added telecommunications businesses. Beijing 58 and certain other consolidated affiliated entities of us are also the owners of all registered trademarks used in our value-added telecommunications businesses and are the applicants of all our applications for registration of trademarks used for our value-added telecommunications businesses.

We are a Cayman Islands company and our PRC subsidiary, Wanglin, is considered a foreign invested enterprise. To comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements entered into among Wanglin, Beijing 58 and Beijing 58's shareholders. As a result of these contractual arrangements, we exert control over our Beijing 58 and its subsidiaries and consolidate their financial results in our financial statements under U.S. GAAP. In August 2015, 58 Home, through its PRC subsidiary, Beijing 58 Daojia Information Technology Co., Ltd., or Beijing 58 Home, entered into contractual arrangements with Tianjin 58 Daojia Life Services Co., Ltd., or Tianjin 58 Home, which had previously been an indirect subsidiary of Beijing 58, and the shareholders of Tianjin 58 Home. As a result of these contractual arrangements, 58 Home exert control over Tianjin 58 Home. In addition, Ganji operates online multi-content category classified advertising platforms in China through its PRC subsidiaries and consolidated affiliated entities, including Beijing Shanjing Kechuang Network Technology Co., Ltd., or Shanjing Kechuang. For a detailed description of these contractual arrangements, see "Item 4. Information on the Company — C. Organizational Structure — Our Contractual Arrangements."

In the opinion of our PRC counsel, Han Kun Law Offices, our current ownership structure, the ownership structure of our PRC subsidiaries and our consolidated affiliated entities, the contractual arrangements relating to our consolidated affiliated entities, and, except as otherwise disclosed in this annual report, our business operations, are not in violation of any existing PRC laws, rules and regulations. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. In particular, in January 2015, the Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise. Under the draft Foreign Investment Law, variable interest entities would also be deemed as foreign-invested enterprises, if they are ultimately "controlled" by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not taken a position on what actions will be taken with respect to the existing companies with the "variable interest entity" structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on PRC Foreign Investment" and "— Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations." Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC legal counsel.

Accordingly, if our ownership structure, contractual arrangements and businesses of our company, our PRC subsidiaries or our consolidated affiliated entities are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of our PRC subsidiaries or consolidated affiliated entities, revoking the business licenses or operating licenses of our PRC subsidiaries or consolidated affiliated entities, shutting down our servers or blocking our websites, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of any of our consolidated affiliated entities that most significantly impact its economic performance, and/or our failure to receive the economic benefits from any of our consolidated affiliated entities, we may not be able to consolidate the entity in our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with our consolidated affiliated entities and their shareholders for the operation of our business, which may not be as effective as direct ownership. If we are unable to maintain control, we would not be able to continue to consolidate the financial results of these entities with our financial results. If our consolidated affiliated entities and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation or arbitration to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

Because of PRC restrictions and qualification requirements on foreign ownership of value-added telecommunications services in China, we depend on contractual arrangements with our consolidated affiliated entities, in which we have no ownership interest, to conduct our business. These contractual arrangements are intended to provide us with control over these entities and allow us to obtain economic benefits from them. Although we have been advised by our PRC counsel, Han Kun Law Offices, that these contractual arrangements are valid, binding and enforceable under current PRC laws, these contractual arrangements may not be as effective in providing control as direct ownership. For example, our consolidated affiliated entities and their shareholders could breach their contractual arrangements with us by, among other things, failing to conduct their operations, including maintaining our websites and using the domain names and trademarks for which they have exclusive right to use, in an acceptable manner or taking other actions that are detrimental to our interests. If we were the controlling shareholder of our consolidated affiliated entities with direct ownership, we would be able to exercise our rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational levels. Furthermore, each of our consolidated affiliated entities' company chops are held by each company's legal or accounting department. Our ability to ensure the consolidated affiliated entities' performance under the contractual agreements may be limited if we were unable to secure control of the company chops in the event of a dispute with the entity's management or shareholders as many official documents require affixation of company chops to become fully effective. As a result, if our consolidated affiliated entities or their shareholders fail to perform their obligations under these contractual arrangements we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may not be sufficient or effective. If we are unable to maintain control, we would not be able to continue to consolidate the financial results of these entities with our financial results.

These contractual arrangements are governed by PRC law and provide for dispute resolution through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Under PRC law, if parties to a contract have agreed to resolve disputes arising from the contract by arbitration, a PRC court will not accept a lawsuit initiated at the court by any contract party, unless the agreement for arbitration is invalid. An arbitration award issued by the arbitration commission chosen in accordance with the agreement is final, binding and enforceable against the parties. If any party fails to comply with the arbitration award, the other party has the right to apply with a competent court for enforcement. However, the legal environment in China is not as developed as other jurisdictions such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which may make it difficult to exert control over our consolidated affiliated entities, and our ability to conduct our business may be negatively affected. In addition, a PRC court or arbitration tribunal may refuse to enforce the contractual arrangements on the grounds that they are designed to circumvent PRC foreign investment restrictions and therefore are against PRC public policy.

If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See “— Risks Related to Doing Business in China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.”

The shareholders of our consolidated affiliated entities have potential conflicts of interest with us, which may adversely affect our business.

Mr. Jinbo Yao is the founder, chairman and chief executive officer of our company, having beneficial ownership of 10.9% of the total outstanding shares of our company as of March 31, 2017. See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders.” He is also the sole director, an executive officer and a shareholder of Beijing 58, our consolidated affiliated entity, holding a 37.8% equity interest in the entity. In addition, Mr. Yao is the sole director and a 16.7% shareholder of Beijing Wanglintong Information Technology Co., Ltd., an entity that holds a 13.4% equity interest in Beijing 58. Mr. Yao is also an executive director and a 1.4% shareholder of Tianjin 58 Home, 58 Home’s consolidated affiliated entity. Conflicts of interest between his duties to our company, his duties to Beijing 58 or Tianjin 58 Home and his interests as a shareholder of Beijing 58 may arise. We cannot assure you that he will act entirely in our interests when conflicts of interest arise or that conflicts of interest will be resolved in the favor of our company. Furthermore, in the context of Mr. Yao’s acting as the director and an executive officer of Beijing 58 or a director of Tianjin 58 Home, PRC law would not require him to consider our company’s best interests. We rely on Mr. Yao to abide by the laws of China, which provide that directors and executive officers owe a duty of loyalty and duty of care to the company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of Cayman Islands, which provide that directors owe a duty of care and duty of loyalty to the company. The respective legal framework of China and the Cayman Islands does not provide guidance in the event of a conflict with another corporate governance regime. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our consolidated affiliated entities should one arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. In addition, Mr. Yao could violate his non-competition or employment agreements with us or his legal duties by diverting business opportunities from us, resulting in our loss of corporate opportunities. If we are unable to resolve any such conflicts, or if we suffer significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See “— Risks Related to Doing Business in China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.”

We may lose the ability to use and enjoy assets held by our consolidated affiliated entities that are material to the operation of our business if any of such entities goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with Beijing 58 and other consolidated affiliated entities, these entities hold certain assets that are material to the operation of our business, including the ICP license, and the domain names and trademarks for which Beijing 58 or any of the other consolidated affiliated entities has exclusive right to use. If any of our consolidated affiliated entities goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our consolidated affiliated entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If any of our consolidated affiliated entities undergoes a voluntary or involuntary liquidation proceeding, the unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our contractual arrangements with our consolidated affiliated entities may result in adverse tax consequences to us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between our PRC subsidiaries and our consolidated affiliated entities were not on an arm's length basis and therefore constitute favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that our consolidated affiliated entities adjust their taxable income, if any, upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by increasing our consolidated affiliated entities' tax expenses without reducing our tax expenses, and by subjecting our consolidated affiliated entities to late payment fees and other penalties for underpayment of taxes.

We may be adversely affected by the complexity, uncertainties and changes in China's regulation of internet business and companies.

The internet industry in China is highly regulated by the PRC government and numerous regulatory authorities of the central PRC government are empowered to issue and implement regulations governing various aspects of the internet industry including foreign ownership of and licensing and permit requirements pertaining to companies in the internet industry. See "Item 4. Information on the Company — B. Business Overview — Regulation." These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Our consolidated affiliated entities are required to obtain and maintain applicable licenses or approvals from different regulatory authorities in order to provide their current services, including but not limited to the ICP license, the Surveying and Mapping Qualification Certificate for internet mapping, the Employment Agency License and the Internet Culture Business Permit.

Pursuant to the relevant regulations promulgated by the State Administration of Press Publication, Radio, Film and Television, or the SAPPRFT, any company engaged in internet broadcasting activities must obtain an Online Audio/Video Program Transmission License issued by the SAPPRFT and operate in accordance with the scope as stipulated in such license. Since February 2008, only wholly state-owned or state-controlled enterprises are qualified to apply for new Online Audio/Video Program Transmission License. Beijing 58 Auto Technology Co., Ltd. or Beijing 58 Auto (formerly known as Beijing Leftbrain Network Technology Co., Ltd.), one of our consolidated affiliates, has not obtained an Online Audio/Video Program Transmission License and provides on its website certain audio/video programs on third party websites, which have the Online Audio/Video Program Transmission Licenses. Beijing 58 Auto was imposed fines in an aggregate amount of RMB6,000 in August 2015 and June 2016 for providing internet broadcasting activities without an Online Audio/Video Program Transmission License. Beijing 58 Auto may be subject to additional penalties and be required to change its way to provide audio/video programs if the local authorities still consider the existing way that Beijing 58 Auto provides the audio/video programs to be an internet broadcasting activity.

In addition, we provide live online reality shows on our websites. Pursuant to the amended Interim Administrative Provisions on Internet Culture promulgated by the Ministry of Culture in February 2011, or the Interim Administrative Provision, any company engaged in the commercial internet cultural activities such as production, reproduction, import, release or broadcast of Internet culture products including online performance must obtain an Internet Culture Business Permit. 58 Co., Ltd., one of our consolidated affiliates, has obtained an Internet Culture Business Permit with business scope of “operating online game products.” However, the live online reality shows provided on our websites may be deemed as online performance, and thus we may be required to apply for adding “online performance” to the business scope of the Internet Culture Business Permit that 58 Co., Ltd. has obtained. If we fail to add the “online performance” business scope, we may be required to cease providing live online reality shows on our websites and may be subject to certain penalties, including but not limited to fines.

Furthermore, our consolidated affiliated entities may be required to obtain additional licenses. If any of them fails to obtain or maintain any of the required licenses or approvals, its continued business operations in the internet industry may subject it to various penalties, such as confiscation of illegal net sales, fines and the discontinuation or restriction of its operations. Any such disruption in the business operations of our consolidated affiliated entities will materially and adversely affect our business, financial condition and results of operations.

Regulation and censorship of information distribution over the internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from or linked to our websites.

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, contains terrorism or extremism content, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, the closure of the concerned websites and reputational harm. A website operator may also be held liable for such censored information displayed on or linked to its website. For a detailed discussion, see “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Value-Added Telecommunication Services” and “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Information Security and Censorship.” We have a team within our data security department which implements internal procedures to review the content in our system for compliance with applicable laws and regulations, aided by a program designed to periodically sweep our websites and the data being conveyed in our system for sensitive keywords or questionable materials. In spite of this screening system, we may have difficulty identifying and removing all illegal content or transactions involving illegal sales of goods and services, which could expose us to the penalties described above.

Risks Related to Doing Business in China

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries, Wanglin and 58 Tongcheng Information Technology Co., Ltd., or 58 Technology, are foreign-invested enterprises and are subject to laws and regulations applicable to foreign-invested enterprises as well as various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and almost all of our users are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

China's economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the PRC economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While China's economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and may slow down in the future. Some of the government measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. Any stimulus measures designed to boost the Chinese economy may contribute to higher inflation, which could adversely affect our results of operations and financial condition. For example, certain operating costs and expenses, such as employee compensation and office operating expenses, may increase as a result of higher inflation.

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. While the Ministry of Commerce solicited comments on this draft, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the Ministry of Commerce, treated as a PRC domestic investor provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “foreign investors” refers to the following subjects making investments within the PRC: (i) natural persons without PRC nationality; (ii) enterprises incorporated under the laws of countries or regions other than China; (iii) the governments of countries or regions other than the PRC and the departments or agencies thereunder; and (iv) international organizations. Domestic enterprises under the control of the subjects as mentioned in the preceding sentence are deemed foreign investors, and “control” is broadly defined in the draft law to cover the following summarized categories: (i) holding, directly or indirectly, not less than 50% of shares, equities, share of voting rights or other similar rights of the subject entity; (ii) holding, directly or indirectly, less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a “catalogue of special administrative measures,” which is classified into the “catalogue of prohibitions” and “the catalogue of restrictions”, to be separately issued by the State Council later. Foreign investors are not allowed to invest in any sector set forth in the catalogue of prohibitions. However, unless the underlying business of the FIE falls within the catalogue of restrictions, which calls for market entry clearance by the Ministry of Commerce, prior approval from the government authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “— Risks Related to Our Corporate Structure and Restrictions on Our Industry” and “Item 4. Information on the Company — C. Organizational Structure.” Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is included in the “negative list” as restricted industry, the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC government authorities and its affiliates or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered illegal.

It is uncertain whether we would be considered as ultimately controlled by Chinese parties. Besides, the draft Foreign Investment Law has not taken a position on what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties, while the Ministry of Commerce solicited comments from the public on this point. Moreover, it is uncertain whether the value-added telecommunications services, in which our variable interest entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as Ministry of Commerce market entry clearance, to be completed by companies with existing VIE structure like us, we face uncertainties as to whether such clearance can be timely obtained, or at all.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs.

Under the Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise” for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law, an enterprise established outside the PRC with “de facto management bodies” within China is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation rules to the Enterprise Income Tax Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, a circular known as SAT Circular 82, issued in April 2009 and amended in January 2014 by the State Administration of Taxation specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. Further to SAT Circular 82, the State Administration of Taxation issued a bulletin, known as SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” SAT Bulletin 45 provides procedures and administrative details for the determination of resident status and administration on post-determination matters. Although both SAT Circular 82 and SAT Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, the determining criteria set forth in SAT Circular 82 and SAT Bulletin 45 may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, PRC enterprise groups or by PRC or foreign individuals.

We do not believe that 58.com Inc., China Classified Network Corporation, China Classified Information Corporation Limited, or any of our other offshore subsidiaries meet all of the conditions above and thus we do not believe that 58.com Inc., China Classified Network Corporation, China Classified Information Corporation Limited or any of our other offshore subsidiaries is a PRC resident enterprise, although some of the members of our management team as well as the management team of our offshore holding companies are located in China. However, if the PRC tax authorities determine that 58.com Inc., China Classified Network Corporation, China Classified Information Corporation Limited or any of our other offshore subsidiaries is a PRC resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and/or our offshore subsidiaries will be subject to the uniform 25% enterprise income tax on our world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Furthermore, although dividends paid by one PRC tax resident enterprise to an offshore incorporated PRC resident enterprise controlled by PRC enterprises or PRC enterprise groups should qualify as “tax-exempt income” under the Enterprise Income Tax Law and Bulletin 45, we cannot assure you that dividends paid by any of our PRC subsidiaries to their shareholder in Hong Kong such as China Classified Information Corporation Limited will not be subject to a PRC withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by PRC enterprises or PRC enterprise groups.

Finally, dividends payable by us to our investors and gains on the sale of our shares may become subject to PRC withholding tax, each at a rate of 10% for foreign enterprise holders and at a rate of 20% for foreign individual holders of the ADSs or ordinary shares.

We may not be able to obtain certain benefits under relevant tax treaty on dividends paid by our PRC subsidiaries to us through China Classified Information Corporation Limited or other Hong Kong subsidiaries.

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. Pursuant to the Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise investor, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to a Notice 112 issued by the State Administration of Taxation in January 2008 and the Arrangement between the Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), such withholding tax rate may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise at all times within the 12-month period immediately prior to distribution of the dividends and is determined by the relevant PRC tax authority to have satisfied other conditions and requirements under the Double Tax Avoidance Arrangement (Hong Kong) and other applicable PRC laws. Pursuant to SAT Circular 601 issued by the State Administration of Taxation in October 2009, non-resident enterprises that cannot provide valid supporting documents as “beneficial owners” may not be approved to enjoy tax treaty benefits. “Beneficial owners” are individuals, enterprises or other organizations which are normally engaged in substantive operations. These rules also set forth certain adverse factors against the recognition of a “beneficial owner.” Specifically, they expressly exclude a “conduit company,” or any company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management, from being a “beneficial owner.” Whether a non-resident company may obtain tax benefits under the relevant tax treaty will be subject to approval of the relevant PRC tax authority and will be determined by the PRC tax authority on a case-by-case basis. In June 2012, the State Administration of Taxation further provided in an announcement that a comprehensive analysis should be made when determining the beneficial owner status based on various factors supported by documents including the articles of association, financial statements, records of cash movements, board meeting minutes, board resolutions, staffing and materials, relevant expenditures, functions and risk assumption as well as relevant contracts and other information. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and upon their confirmation that the prescribed criteria are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when conducting tax filings, which will be subject to post-filing examinations by the relevant tax authorities. None of our Hong Kong subsidiaries has applied for the approval for a withholding tax rate of 5% from the local tax authority prior to SAT Circular 60, nor has any of our PRC subsidiaries applied the 5% tax rate directly to any dividend payment after the SAT Circular 60, as our PRC subsidiaries have not paid dividends to us. We plan to have our Hong Kong subsidiaries assume some managerial and administrative functions, as well as conduct other business functions in the future. Once we implement such a plan, we do not believe that any of our Hong Kong subsidiaries will be considered a conduit company as defined under SAT Circular 601. However, our Hong Kong subsidiaries as currently situated may be considered conduit companies and we cannot assure you that the relevant PRC tax authority will agree with our view when any of our PRC subsidiaries directly applies reduced withholding tax rate under the relevant tax treaty in the future. As a result, we may not be able to enjoy the preferential withholding tax rate of 5% under the Double Taxation Arrangement (Hong Kong) and therefore be subject to withholding tax at a rate of 10% with respect to dividends to be paid by our PRC subsidiaries to their shareholders in Hong Kong such as China Classified Information Corporation Limited.

Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

In connection with the Enterprise Income Tax Law, the Ministry of Finance and the State Administration of Taxation jointly issued SAT Circular 59 in April 2009, and the State Administration of Taxation issued SAT Circular 698 in December 2009. Both SAT Circular 59 and SAT Circular 698 became effective retroactively on January 1, 2008.

According to SAT Circular 698, where a non-resident enterprise transfers the equity interests of a PRC “resident enterprise” indirectly by disposition of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. In addition, the PRC “resident enterprise” is supposed to provide necessary assistance to support the enforcement of SAT Circular 698.

On February 3, 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 has introduced a new tax regime that is significantly different from that under Circular 698. Public Notice 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties on the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises outside a public securities market, which means that an investor obtains or sells our shares outside a public securities market, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or taxation if our company or other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company or other non-resident enterprises in our group are transferees in such transactions, under Circular 698 and Public Notice 7. For the transfer of shares in our company by investors that are non-PRC resident enterprises outside a public securities market, our PRC subsidiaries may be requested to assist in the filing under Circular 698 and Public Notice 7. As a result, we may be required to expend valuable resources to comply with Circular 698 and Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises in our group should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Circular 698 and Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 698 and Public Notice 7, our income tax costs associated with such potential sales or acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations. We have conducted acquisitions or sales in the past and may conduct additional acquisitions or sales in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation by PRC tax authorities with respect thereto. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

PRC regulations establish complex procedures for mergers and acquisitions, including acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

Six PRC regulatory agencies promulgated regulations effective on September 8, 2006 with subsequent amendment in June 2009, which are commonly referred to as the M&A Rules. See "Item 4. Information on the Company — B. Business Overview — Regulation." The M&A Rules establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, national security review rules issued by the PRC governmental authorities in 2011 require acquisitions by foreign investors of domestic companies engaged in military-related or certain other industries that are crucial to national security to be subject to prior security review. Moreover, the Anti-Monopoly Law requires that the Ministry of Commerce shall be notified in advance of any concentration of undertaking, occurring inside or outside China, if certain thresholds are triggered. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules, security review rules and other PRC regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. In addition, due to lack of clarity under some PRC laws and regulations, it is unclear in some circumstances whether an approval is required for a merger or acquisition transaction and we cannot assure you that the PRC governmental authorities will agree with our view on whether the approval is required for transactions conducted or to be conducted by us.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, limit our ability to inject capital into our PRC subsidiaries, or otherwise expose us to liability and penalties under PRC law.

SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and entities, to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Pursuant to SAFE Notice 13, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE as required under current laws, entities and individuals are required to apply for such foreign exchange registrations, including those required under the SAFE Circular 37, from qualified banks. The qualified banks, under the supervision of SAFE, will examine the applications and conduct the registration. If a PRC resident fails to make the required SAFE registration with the local SAFE branches, the PRC subsidiaries of such offshore company may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

Furthermore, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, either we or the owners of such company, as the case may be, may not be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. See “Item 4. Information on the Company — B. Business Overview — Regulation —Regulations on Employee Stock Option Plans.” We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially adversely affect our business.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities and governmental control of currency conversion may delay or limit us from using the proceeds of our securities offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of our securities offerings, are subject to PRC regulations. Under PRC laws and regulations, we are permitted to utilize the proceeds from our securities offerings to fund our PRC subsidiaries only through loans or capital contributions, subject to applicable government registration and approval requirements. None of our loans to a PRC subsidiary can exceed the maximum amount that such PRC subsidiary is allowed to borrow from foreign creditors under relevant PRC laws, and the loans must be registered with the local branch of SAFE. Our capital contributions to our PRC subsidiaries must be approved by the Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries’ liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

In March 2015, SAFE promulgated SAFE Circular 19, which took effect and replaced SAFE Circular 142 from June 1, 2015. Although SAFE Circular 19 removed certain restrictions previously provided under SAFE Circular 142 for conversion by a foreign-invested enterprise of foreign currency registered capital into RMB and use of such RMB capital, it continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capital for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises. In addition, SAFE Circular 19 is still unclear whether a foreign-invested enterprise whose business scope does not include equity investment or similar activities may use Renminbi converted from the foreign currency-denominated capital for equity investments in the PRC. For example, the business scopes of Wanglin and 58 Technology include, among others, research and development of online classified information technology and software systems, information technology consulting, technical services and marketing and promotional services. Each of Wanglin, 58 Technology and our other PRC subsidiaries that are foreign-invested enterprises may only use Renminbi converted from foreign exchange capital contribution for activities within its approved business scope. In addition, the use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of these circulars and rules could result in severe monetary or other penalties. If we convert the net proceeds we receive from our securities offerings into Renminbi pursuant to the applicable laws and regulations, our use of Renminbi funds for general corporate purposes will be within the business scope of our PRC subsidiaries.

PRC regulation of loans by offshore holding companies to PRC entities and governmental control of currency conversion may limit our ability to fund the operations of our consolidated affiliated entities.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, any loans from our Cayman Islands holding company or other offshore entities to PRC domestic company are required to be registered with local SAFE and cannot exceed the maximum amount that such company is allowed to borrow from foreign creditors under the applicable PRC laws and complete record-filling procedures with local SAFE on an item-by-item basis. In addition, loans to a PRC domestic company with a term of one year or a longer term are also subject to filings with the National Development and Reform Commission and/or its local branches. Therefore, we are not likely to have our Cayman Islands holding company or other offshore entities to use the proceeds from our securities offerings to extend loans to our consolidated affiliated entities or their subsidiaries, each of which is a PRC domestic company. Meanwhile, we are not likely to finance the activities of our consolidated affiliated entities by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in value-added telecommunications services. In addition, due to the restrictions on a foreign-invested enterprise's use of Renminbi converted from foreign-currency registered capital under PRC regulations, including SAFE Circular 19, as described under the foregoing risk factor, our PRC subsidiaries may be unable to use the Renminbi converted from their registered capital to provide loans or financial support to our consolidated affiliated entities. We currently do not plan to use the proceeds from our securities offering to fund the operations of our consolidated affiliated entities and their subsidiaries. Additionally, our PRC subsidiaries are not prohibited under PRC laws and regulations from using their capital generated from their operating activities to provide entrusted loans or other forms of financial support to consolidated affiliated entities. We will assess the working capital requirements of our consolidated affiliated entities on an ongoing basis and, if needed, may have our PRC subsidiaries to use their capital from operating activities to provide financial support to our consolidated affiliated entities.

Our PRC subsidiaries are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions on equity from our PRC subsidiaries to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiaries may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. As of the date of this annual report, our PRC subsidiaries have not paid dividends to us. Further, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements. As of March 31, 2017, the registered capital of our PRC subsidiaries Wanglin and 58 Technology was US\$280 million and approximately US\$107 million, respectively. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Foreign Currency Exchange."

Discontinuation of any of the preferential tax treatments and government subsidies or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.

The Enterprise Income Tax Law and its implementing rules impose a uniform statutory enterprise income tax rate of 25% on all enterprises in China. The Enterprise Income Tax Law and its implementing rules also permit qualified “high and new technology enterprises” to enjoy a preferential enterprise income tax rate of 15% upon filing with relevant tax authorities. This qualification generally has a valid term of three years and the renewal of the qualification is subject to review by the relevant authorities in China. Beijing 58, one of our consolidated affiliated entities, first obtained its certificate as a “high and new technology enterprise” in May 2009 and renewed the certificate in May 2012 and again in July 2015, each time valid for a period of three years. Beijing 58 Auto, one of our consolidated affiliated entities, first obtained its certificate as a “high and new technology enterprise” in November 2013 and renewed its certificate in December 2016, each time valid for a period of three years. Wanglin, one of our PRC subsidiaries, obtained its certificate as a “high and new technology enterprise” in November 2012 and renewed its certificate in July 2015, each time valid for a period of three years. Ruiting Network Technology (Shanghai) Co., Ltd., or Shanghai Ruiting, one of our PRC subsidiaries, obtained its certificate as a “high and new technology enterprise” in December 2010 and renewed its certificate in November 2013 and again in November 2016, each time valid for a period of three years. Beijing 58, Beijing 58 Auto, Wanglin and Shanghai Ruiting are each eligible to enjoy a preferential tax rate of 15% when they have taxable income under the Enterprise Income Tax Law, as long as they maintain such qualification and obtain approval from the relevant tax authorities. Wanglin also obtained qualification as a “software enterprise” in July 2014. In April 2015, the local tax authority granted Wanglin a two-year exemption followed by a three-year 50% reduction on its taxable income under the Enterprise Income Tax Law, effective retroactively from January 1, 2014. 58 Technology, one of our PRC subsidiaries, qualified as a “software enterprise” in December 2014. In March 2016, the local tax authority granted 58 Technology a two-year exemption followed by a three-year 50% reduction on its taxable income under the Enterprise Income Tax Law, effective retroactively from January 1, 2015. If any of Beijing 58, Beijing 58 Auto, Wanglin, Shanghai Ruiting or 58 Technology fails to maintain its qualification as a “high and new technology enterprises” or a “software enterprise,” as the case may be, or if any of them fails to renew its qualification when its current term expires, its applicable enterprise income tax rate may increase to 25%, which could have an adverse effect on our financial condition and results of operations.

In addition, our PRC subsidiaries and consolidated affiliated entities have received various financial subsidies from PRC local government authorities. The financial subsidies are discretionary incentives and policies adopted by PRC local government authorities. Local governments may decide to change or discontinue such financial subsidies at any time. The discontinuation of such financial subsidies or imposition of any additional taxes could adversely affect our financial condition and results of operations.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

As the functional currency for our PRC subsidiaries and consolidated affiliated entities is Renminbi, fluctuations in the exchange rate may cause us to incur foreign exchange losses on any foreign currency holdings they may have. If we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for repayment of our bank loans denominated in U.S. dollars, appreciation of the U.S. dollar against the Renminbi would increase our amount of repayment in Renminbi.

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably, and in recent years the Renminbi has depreciated significantly against the U.S. dollar. Since October 1, 2016, the Renminbi has joined the International Monetary Fund (IMF)’s basket of currencies that make up the Special Drawing Right (SDR), along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Any significant appreciation or depreciation of the Renminbi may materially and adversely affect our earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from our initial public offering into Renminbi to pay our operating expenses, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Our failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in social insurance and housing fund plans. We have not fully contributed to such plans as required by applicable PRC regulations. As of December 31, 2016, with regards to the outstanding contributions, including historical underpayments to such plans, we made a provision of RMB130.1 million, which is reflected in our audited financial statements included in this annual report. While we believe this provision is adequate, our failure to make sufficient payments to such plans does not fully comply with applicable PRC laws and regulations and we may be required to make up the contributions for such plans as well as to pay late fees and fines.

Registered public accounting firms in China, including our independent registered public accounting firm, are not inspected by the U.S. Public Company Accounting Oversight Board, which deprives us and our investors of the benefits of such inspection.

Auditors of companies whose shares are registered with the U.S. Securities and Exchange Commission, or the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the U.S. Public Company Accounting Oversight Board, or PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards applicable to auditors. Our independent registered public accounting firm is located in, and organized under the laws of the Peoples' Republic of China, or the PRC, which is a jurisdiction where the PCAOB, notwithstanding the requirements of U.S. law, is currently unable to conduct inspections without the approval of the Chinese authorities. In May 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of any auditors operating in China, including our independent registered public accounting firm. As a result, we and investors in our common stock are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections, which could cause investors and potential investors in our common stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, we could be unable to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, an initial administrative law decision was issued, censuring that each of the firms had violated the SEC's rules of practice by failing to produce audit work papers to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months. The decision is not effective unless and until it is endorsed by the SEC. On February 12, 2014, the four PRC-based accounting firms appealed to the SEC against this sanction. On February 6, 2015, the four PRC-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S. listed companies. The settlement required the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If future document productions fail to comply with the documentation production procedures that are in the settlement agreement or if there is a failure of the process between the SEC and the CSRC, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. If the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our common stock from the NYSE or the termination of the registration of our common stock under the Securities Exchange Act of 1934, or both, which would substantially reduce or effectively terminate the trading of our common stock in the United States.

Risks Related to Our ADSs

The trading prices of our ADSs have fluctuated and may be volatile.

The trading prices of our ADSs have fluctuated since we first listed our ADSs. Since our ADSs became listed on the NYSE on October 31, 2013, the trading price of our ADSs has ranged from US\$17.00 to US\$83.71 per ADS, and the last reported trading price on April 27, 2017 was US\$39.37 per ADS. The prices for our ADSs may continue to fluctuate because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In recent years, the widespread negative publicity of alleged fraudulent accounting practices and poor corporate governance of certain U.S. public companies with operations in China were believed to have negatively affected investors' perception and sentiment towards companies with connection with China, which significantly and negatively affected the trading prices of some companies' securities listed in the United States. Any similar negative publicity or sentiment may affect the performances of our ADSs. The securities of some PRC companies that have listed their securities on U.S. stock markets have experienced significant volatility. The trading performances of these PRC companies' securities after their offerings may affect the attitudes of investors toward PRC companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- the financial projections that we may choose to provide to the public, any changes in those projections or our failure for any reason to meet those projections;
- variations in our net sales, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures;
- announcements of new services and expansions by us or our competitors;

- changes in financial estimates by securities analysts;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- detrimental negative publicity about us, our competitors or our industry;
- potential litigation or regulatory investigations or other proceedings involving us;
- fluctuations in market prices for our products; and
- proceedings instituted recently by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, or publish unfavorable research about us, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

Our dual class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share, with Class A and Class B ordinary shares voting together as one class on all matters subject to a shareholders' vote. As of March 31, 2017, holders of our Class B ordinary shares collectively owned approximately 16.7% of our outstanding ordinary shares, representing 66.8% of our total voting power. As of March 31, 2017, our founder, chairman and chief executive officer, Mr. Jinbo Yao and Tencent beneficially owned an aggregate of 34.0% of our outstanding shares.

As a result of the dual class share structure and the concentration of ownership, holders of our Class B ordinary shares have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial. For more information regarding our principal shareholders and their affiliated entities, see "Item 7. Major Shareholders and Related Party Transactions."

The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

We may be classified as a passive foreign investment company for United States federal income tax purposes, which could result in adverse United States federal income tax consequences to United States investors in the ADSs or Class A ordinary shares.

Depending upon the value of our assets, which may be determined based, in part, on the market value of our Class A ordinary shares and ADSs, and the nature of our assets and income over time, we could be classified as a “passive foreign investment company,” or PFIC, for United States federal income tax purposes. Under United States federal income tax law, we will be classified as a PFIC for any taxable year if either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value of our assets (based on the average quarterly value of our assets during the taxable year) is attributable to assets that produce or are held for the production of passive income. Based on our income and assets and the value of our ADSs and Class A ordinary shares, we do not believe that we were a PFIC for the taxable year ended December 31, 2016 and, although no assurances can be made in this regard, we do not expect to be a PFIC for the current taxable year or any subsequent taxable year. While we do not anticipate being a PFIC, changes in the nature of our income or assets or the value of our assets may cause us to become a PFIC for the current or any subsequent taxable year.

Although the law in this regard is not entirely clear, we treat Beijing 58 and other consolidated affiliated entities as being owned by us for United States federal income tax purposes, because we control their management decisions and we are entitled to substantially all of the economic benefits associated with them, and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of Beijing 58 and other consolidated affiliated entities for United States federal income tax purposes, we would likely be treated as a PFIC for our taxable year ending December 31, 2016 and for subsequent taxable years. Because of the uncertainties in the application of the relevant rules and because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and the value of our active versus passive assets, there can be no assurance that we will not be a PFIC for our taxable year ending December 31, 2016 or any future taxable year. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase.

If we were to be or become a PFIC, a U.S. Holder (as defined in “Item 10. Additional Information — E. Taxation — United States Federal Income Tax Considerations”) may incur significantly increased United States federal income tax on gain recognized on the sale or other disposition of the ADSs or Class A ordinary shares and on the receipt of distributions on the ADSs or Class A ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the United States income tax rules. Further, if we were a PFIC for any year during which a U.S. Holder held our ADSs or Class A ordinary shares, we generally would continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder held our ADSs or Class A ordinary shares. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding and disposing of ADSs or Class A ordinary shares if we are or become treated as a PFIC.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your Class A ordinary shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying Class A ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is ten clear days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission, or the SEC, of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the NYSE. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC are less extensive and less timely as compared to that required to be filed with the SEC by United States domestic issuers. As a Cayman Islands company listed on the NYSE, we are subject to the NYSE corporate governance listing standards. Among other things, Section 303A.08 of the NYSE Listed Company Manual requires shareholder approval of material revisions to equity-compensation plans and Section 312.03(c) of the NYSE Listed Company Manual requires shareholder approval of new share issuances above the 20% threshold specified therein. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. We have elected to follow the Cayman Islands practices with respect to the amendment of our 2013 share incentive plan to increase the total number of ordinary shares that may be issued pursuant to awards granted under the plan. In addition, we have also elected to follow the Cayman Islands practices with respect to the issuance of new ordinary shares above the 20% threshold as specified in Section 312.03(c).

You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We incur increased costs as a result of being a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and NYSE, imposes various requirements on the corporate governance practices of public companies. For example, as a public company, we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We have incurred additional costs in obtaining director and officer liability insurance. In addition, we also incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In addition, we have ceased to be an “emerging growth company” as of December 31, 2014, and therefore are no longer able to take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. We have incurred significant expenses and devoted substantial management effort, and expect to continue to do so to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company’s securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We began our operations in China in 2005 through Beijing 58, a PRC limited liability company, which has become our consolidated affiliated entity through a series of contractual arrangements. Our current holding company, 58.com Inc., was incorporated in May 2011 as a limited liability company in the Cayman Islands.

On November 5, 2013, we raised US\$200.0 million in net proceeds from the initial public offering of our ADSs and another US\$15.0 million from a concurrent private placement of Class A ordinary shares to DCM Hybrid RMB Fund, L.P., a fund affiliated with DCM V, L.P., one of our existing shareholders. Our ADSs trade on the New York Stock Exchange under the symbol “WUBA.”

On April 2, 2014, we and certain selling shareholders completed a follow-on public offering of ADSs. Our net proceeds, after deducting underwriting commissions, amounted to approximately US\$73.0 million. We did not receive any proceeds from the sale of the ADSs by the selling shareholders.

In June 2014, Tencent invested US\$736.1 million in our company and acquired 36.8 million Class A and Class B ordinary shares, representing a 19.9% equity interest in our company on a fully-diluted basis at that time. We applied part of the proceeds from this transaction to repurchase 27.6 million ordinary shares of our company from certain pre-IPO shareholders.

In March 2015, we acquired Anjuke, a major online real estate listing platform in China, through the purchase of a 100% equity interest in Anjuke Inc., a company incorporated under the laws of the Cayman Islands, for 4.8 million newly issued Class A ordinary shares of our company and US\$160.2 million in cash. We also issued 0.2 million fully vested restricted share units of our company to former Anjuke employees as part of the share consideration.

In April 2015, we acquired a less than 50% equity stake in Falcon View Technology, or Ganji, the holding company of the PRC entities operating *Ganji.com*, a major online local services platform in China, for 34.0 million newly issued Class A ordinary shares of our company and US\$412.2 million in cash. Concurrent with this acquisition, Tencent purchased 15.4 million additional newly issued Class A ordinary shares of our company from us for US\$400.0 million.

Later in 2015, our company, as a limited partner, committed an aggregate of 46.5 million newly issued ordinary shares and US\$406.7 million in cash to several private equity funds, of which all the ordinary shares and US\$272.4 million in cash were contributed to the funds in August 2015. These funds are dedicated to investing in businesses in China and separately managed by different investment entities, as general partners, which are unaffiliated with each other and unaffiliated with us. These funds, together with Tencent, acquired all the remaining equity interests in Ganji in August 2015. We also transferred an aggregate of 4.4 million fully vested restricted share units of our company and approximately US\$51.0 million in cash to former Ganji employees as part of the total consideration of step acquisition of Ganji. We considered that we have a controlling financial interest over the equity funds under the voting interest model, and as a result have consolidated Ganji since August 6, 2015.

On November 27, 2015, 58 Home raised US\$300.0 million in a Series A preferred shares equity funding round, with participation from Alibaba Group Holding Limited, global investment firm KKR, and Ping An Group, among which US\$10.0 million was contributed by 58.com Inc. Following the closing of the series A financing of 58 Home, 58.com Inc. holds 87.9% of the total outstanding ordinary shares of 58 Home and 61.7% of the total outstanding shares of 58 Home on an as-converted basis. As certain rights provided to the non-controlling Series A preferred shareholders of 58 Home would be viewed as substantive participating rights under U.S. GAAP, we have ceased consolidating the financial results of 58 Home in our consolidated financial statements in accordance with U.S. GAAP since November 27, 2015.

On December 11, 2015, we issued 4.3 million Class A ordinary shares at a price of US\$31.0 per share to Tencent for the early repayment of US\$125.0 million principal amount of a loan from Tencent, together with accrued interest payable of US\$7.3 million as of December 11, 2015.

On December 31, 2015, we divested our controlling ownership stake in Guazi, a subsidiary that operated our consumer-to-consumer (C2C) used car trading platform, to Mr. Mark Haoyong Yang, co-chairman of our board of directors at the time. We had a 45.6% stake in Guazi immediately following the spin-off, and currently have approximately 34.6% stake in Guazi following their subsequent private equity financing.

On June 20, 2016, we sold all of our equity interests in Mayi, a majority-owned subsidiary that operates online consumer-to-consumer (C2C) short stay rental business for minority equity interests in Tujia, one of the leading Chinese online booking platforms for apartment rentals and home-stays. Concurrently with the sale of Mayi, we acquired additional equity interests in Tujia by paying US\$10.0 million in cash and committing future services to Tujia. As a result of these transactions, we hold less than 5% equity interest in Tujia.

In April 2017, we entered into definitive agreements with Tencent, under which we agree to inject the Zhuan Zhuan app and certain used goods related listing channels from the 58 and Ganji classified platforms into a separate group of entities, or the Zhuan Zhuan Entities, and Tencent agrees to invest US\$200 million in cash and additional business resources into the Zhuan Zhuan Entities for a minority equity ownership. We will continue our direct traffic and other business support to the Zhuan Zhuan Entities. The transaction was closed on April 28, 2017, and we currently own a majority of equity stake in the Zhuan Zhuan Entities.

Our principal executive offices are located at Building 105, 10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing 100015, the People's Republic of China. Our telephone number at this address is +86 10 5956-5858. Our registered office in the Cayman Islands is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York 10017.

B. Business Overview

Our business is comprised principally of our online classifieds and listing platforms. Our online classifieds and listings platforms enable local merchants and consumers to connect, share information and conduct business in China. These platforms mainly include 58, Ganji and Anjuke. 58 and Ganji are online multi-content category-classified advertising platforms, while Anjuke is an online real estate listing platform.

In addition, 58 Home, our significant investee accounted for under equity method, operates a mobile-based closed-loop transactional platform for home services, which directly connects consumers and individual service providers for local services such as domestic services, ad-hoc delivery services and platform services provided at home.

Our Classifieds and Listing Platforms

Our classifieds and listing platforms contain local information for over 500 cities or towns across diverse content categories, including jobs, real estate, used goods, automotive and yellow pages. Users can browse and search for free local information that they need. Users, including both consumers and merchants, can also post content for free. The content includes job resumes, real estate rental and sales listings, and used vehicles and used goods for sale, among others.

To improve user experience, our teams design and provide templates to users to make listings easier to post and more informative and relevant. We conduct automatic and manual screening using proprietary technology and processes to improve the information quality on our online platforms. Our information quality teams leverage our years of experience and continue to strengthen processes to certify local merchants offline, detect spam, and collect and respond to user feedback online.

On our online classifieds and listing platforms, merchants can post content to attract potential customer leads for free. For paying merchants we provide subscription-based membership services to improve the effectiveness of lead generation. For further enhanced marketing effectiveness, merchants can purchase various additional online marketing services such as real-time bidding and priority listing. Merchants can pay for these services online, including through their smart phones.

We have field direct sales teams in 45 cities in China. In approximately 360 other cities or towns where we do not have field direct sales teams, we work with sales agencies to market locally. Our field direct sales and sales agency teams educate local merchants about online marketing and how the subscription-based membership services on our classifieds and listing platforms can help them do better business. We also have centralized customer service teams, who maintain regular contact with our customers and help with renewing membership subscription and upselling various online marketing services to optimize marketing effectiveness for our paying customers.

In 2016, approximately 78.1% of our total detail page views were on mobile applications. Our business model is highly compatible with mobile internet. We believe user experience of browsing or listing information on our mobile applications is better than on PC applications overall, given the smart phone features such as location based services and more convenient photo shooting and communication tools. The enhanced mobile user experience also significantly increases user engagement.

We also have other category-specific consumer-facing platforms we acquired or developed in-house that are relatively smaller than the 58, Ganji and Anjuke platforms in terms of user traffic or revenue generation. For instance, Zhuan Zhuan ("转转") is an online used goods trading platform that mainly focuses on C2C used goods transactions. ChinaHR is an online recruitment platform that mainly focuses on white collar jobs. Jia Xiao Yi Dian Tong ("驾校一点通") is an online platform for drivers' license examination preparation and other related services. 58che ("58车") is a platform that mainly focuses on new car information.

Other than the above mentioned consumer-facing platforms, we also have some category-specific merchant mobile applications, such as Zhao Cai Mao (“招才猫”) for small business owners or HR professionals, Mobile Agent (“移动经纪人”) for real estate agents and Che Shang Tong (“车商通”) for used car dealers. These merchant tools enable merchants to manage content, interact with consumers, conduct and track online marketing or hiring activities including purchasing online marketing services better than they could on PC or through the 58, Ganji and Anjuke platforms. These merchant applications not only enhance user experience and engagement through better connections between consumers and merchants, but also help our platforms accumulate a huge amount of user behavior data, with which our platforms can more proactively help match the supply and demand using big data and targeted marketing. The return of investment (ROI) in online marketing can also become clearer, which provides the platforms with additional options to develop an additional performance based revenue model. These mobile applications were developed as value-added features or extensions of our products and services primarily aimed to attract more users to our platforms and increase user engagement.

58 Home

The home services industry in China is a massive but fragmented industry. China has over one hundred cities with a population of a million or more. These cities create a strong demand for home services such as home cleaning, cooking, laundry, automotive maintenance and cleaning, tutoring, healthcare and ad-hoc delivery services. On the supply side, China has a sufficient labor pool to provide these services. These service providers typically form small or micro-scale businesses or attach themselves to middleman agency companies. These businesses are generally small and local, and do not have strong brand names. As a result, Chinese consumers generally have difficulty in searching for these service providers, let alone those who can provide high-quality and consistent services.

In the second half of 2014, 58 Home launched its first mobile application. The search, reservation, payment, rating and review of home services can be done on the mobile application. 58 Home finds and certifies individual service providers and trains them to use the merchant version of the mobile application. There are no middleman agency companies on 58 Home. Consumers can select individual service providers or leave the selection of the service providers to the system, which recommends service providers based on location, availability and other criteria specified by the consumers. Other than online efforts, 58 Home also conducts regular training for services providers in an effort to raise the quality of their services, which is a key aspect of user experience. 58 Home also has customer service call center teams that collect customer feedback to enhance our operations. Currently 58 Home focuses on the core categories of domestic services, ad-hoc delivery services and platform services provided at home or merchant locations. 58 Home also partners with third-party companies that provide home services in a single vertical category in order to widen the content categories on 58 Home. The 58 Home applications facilitate the matching of supply and demand for local services and help raise the quality of these services provided in China. Currently, there are over 60 cities in China where most of 58 Home services are available. 58 Home is still in an early stage and 58 Home plans to roll out services to more cities and categories in 2017.

Our Revenue Model

We generate revenues primarily from memberships and online marketing services. A membership is a basic service package mainly consisting of merchant certification, display of an online storefront on our platforms, preferential listing benefits such as daily priority listings, higher quota for daily listings, as well as access to our dedicated customer service support team and online account management system. Our online marketing services include listing services, such as real-time bidding, other bidding services and priority listing, as well as marketing services through collaboration with third-party internet companies in China. Merchants can use our real-time bidding services to bid for the most prominent placement of their listings in specific categories and locations on a daily or a cost per click (CPC) basis. Merchants can also purchase our priority listing services, which place their listings below real-time bidding listings and above paying merchant members' listings.

Our revenues were RMB1.6 billion, RMB4.5 billion and RMB7.6 billion in 2014, 2015 and 2016, respectively. We had net income of RMB139.4 million in 2014 and incurred net loss of RMB1.6 billion and RMB773.0 million in 2015 and 2016, respectively.

Our Users

Our users refer to all participants on our platforms, including consumers and local merchants. Users may browse and search information on our online platforms without the need to register an account with us. After completing a user registration process, a user can post information and use our communication tools and other services.

Our paying merchant members refer to the registered accounts through which our users have purchased our membership services. Users who have purchased our membership are entitled to additional services and benefits after paying membership fees to us. See also “— Service Offerings — Membership.” Our online marketing customers refer to users who have purchased our various online marketing services to enhance their marketing effectiveness. Our paying merchant members can also purchase online marketing services in addition to membership subscriptions. Online marketing customers also include third-party internet companies who collaborate with us on performance-based online marketing services for their own advertisers.

Content Categories

Our users post a massive number of listings on our platforms covering a wide range of services and products. We organize the listings on our platforms by content categories in an intuitive and easy-to-use directory to facilitate the browsing and viewing of listings. Within each main content category, information is further sorted into subcategories with various search criteria and parameters to allow users to further refine their information search and increase the relevancy of their search results. Currently, listings on our platforms cover major categories such as jobs, real estate, used goods, automotive and yellow pages.

Key features of the main content categories are summarized as follows:

- *Jobs.* Jobs currently covers a wide range of job categories such as sales people, skilled workers, food and beverage staff, delivery staff, and homecare and cleaning staff. Our 58 and Ganji platforms have largely mid- to lower-level income job listings and resumes. Job applicants can prepare a resume online. Employers can search and review resumes on our database. In addition, this content category contains other tools that enable employers to manage, organize and streamline the recruitment and hiring process.
- *Real estate.* Real estate is sorted into sub-groups of residential leasing, secondary and primary property sales, office space, retail space and industrial real estate leasing. Our 58 and Ganji platforms have mainly rental and secondary property sales listings, while our Anjuke platform has mainly secondary and primary property sales listings. Listings are uploaded by either real estate agents or individual consumers. We further facilitate users' decision making by providing property pricing indices, generated from our listing database, and other relevant content and tools for different areas and property categories. Our PC and mobile applications enable real estate agents to conveniently upload new listings, manage their listings, communicate with consumers and monitor marketing effectiveness.
- *Used goods.* Used goods covers a wide selection of used consumer products such as computers and peripherals, mobile phones, digital cameras, furniture, household appliances and goods, books, artwork, sporting goods and musical instruments. Listings are uploaded by either used goods buy-sell merchants or individual consumers. In addition to the exchange of information, we also facilitate online transactions through Zhuan Zhuan (“转转”), an internally-developed used goods mobile application or through our main 58 mobile application.
- *Automotive.* Automotive includes listings of used and new cars, car leasing, driving school services, automotive repairs and maintenance services, and other car-related services. Listings are uploaded by either used car dealers or individual consumers. The platforms also contain automotive manufacturers' brand advertising for their new and used car businesses. For selected vehicles, we also provide vehicle inspection information as well as financial services, mostly through qualified third-party partners, in an effort to better facilitate the automotive transaction. We also have mobile applications that help users to prepare for driving license examinations, find driving tutors or access other information or services needed by car owners.
- *Yellow pages local services.* This business directory covers a variety of general yellow page local services, which include homecare, business services, renovation, education and training, vehicle rental, franchise licensing services, wedding and filming, and travel services. In some relevant sub-content categories, we facilitate commerce by providing online user reviews, reservations, and transaction and payment tools. These functionalities further enhance user engagement and bring a higher level of convenience to users.

Our Websites and Mobile Applications

Our Websites

Our key websites include www.58.com, www.ganji.com and www.anjuke.com. Website layouts are designed to ensure a smooth user experience. Users are typically brought to one of the over 500 city or town websites, or they can manually select the city they are interested in. Within each city website, listings are grouped by content categories and subcategories. Users can further select a specific neighborhood within the city, leading users to information that is only relevant to the selected neighborhood. In each content category, we provide customized parameters to allow users to further filter their search queries.

From the home page, once users select the location and category, users will access a listing page, where numerous listings are displayed. The listings on this page typically include brief information on merchants and their services. When users click on an individual listing, a landing page will show more detailed information about the merchant and the product and service the merchant provides. These subcategories and additional parameters are regularly reviewed and optimized for each content category based on user feedback and user traffic data to ensure we continue to provide a superior user experience.

Our Mobile Applications

In 2016, approximately 78.1% of our total detail page views were on mobile applications. Our listing-based content is easily accessible through our different mobile applications. We mainly offer three types of mobile applications: downloadable applications developed for Android and iOS platforms, browser-adapted applications for users accessing our websites through their smartphone browsers and tailor-made mobile applications for merchants.

The mobile application content layout for classifieds and listings is intuitive and easy to use. Once users select a location and a main content category, they are presented with the listings results. Users can further narrow the search by selecting more detailed search parameters, customized for different content categories.

Mobile functions further enhance user experience on mobile phones. For example, a direct dial feature on our mobile-enabled platform allows users to call the phone numbers displayed on a listing with one simple touch. Mobile users can send messages or use instant messaging software from our mobile applications at any time. We designed additional features for users to upload photos from mobile phones to update the listing content, which is immediately synchronized with our web content. The multi-media functionalities of mobile phones further enrich the listing content on our platforms. Furthermore, location-based functionalities of mobile phones enable us to provide information that is more geographically relevant to users on a real-time basis. We have also developed technologies to recommend content based on users' past browsing history. Our merchant mobile applications simplify the processes for merchants to manage their listings, such as uploading, modifying, searching and prioritizing the listings and also purchasing online marketing services to enhance their marketing effectiveness. Our mobile applications also allow merchants to communicate in real time with users and manage their customer relationships on our applications. We also leverage big data ability to better match consumers who look for local services information with those merchants who can provide the most relevant services. We continually work on developing additional features to better utilize mobile device functionalities to enhance user experience.

In the case of 58 Home (the home services app) or Zhuan Zhuan (“转转”, our used goods app), mobile payment technology has made closed-loop services, from searching to paying for services, not only possible but convenient.

The 58 Home mobile applications, launched in the second half of 2014, currently contain content categories such as domestic services, ad-hoc delivery services and platform services. These mobile applications focus on services that generally require service providers to go to the consumer's home to render the services. Users can easily book services through the application after identifying the services they need, the location and the expected timing. Users can use a system recommended service provider or select service providers through browsing the available service providers and reading their rating and reviews from other consumers on the app. When the services are rendered, users can pay online or with cash in person. They can also pay a lump sum to become members, which entitles them to better discounts for booking future services from the platform.

Apart from the user versions of the 58 Home PC and mobile applications, 58 Home has also launched separate applications for service providers. They enable service providers to receive and act on incoming orders, communicate with the consumers, receive payments and track service remuneration.

These applications simplify the process for users to find local services and enable them to make more informed decisions about selecting service providers. They also enable the service providers who were previously typically affiliated with offline service agencies to gain direct access to consumers and over time create a reputation by providing high-quality services and accumulating good reviews. 58 Home services, by connecting increasingly more consumers and service providers, aim to become a more efficient platform in matching supply and demand for local services. By making the booking, communication and payment process more transparent and conducting regular training for the service providers, 58 Home expects to help raise the quality standards of the local services and increase the satisfaction rate of consumers and service providers.

The Zhuan Zhuan (“转转”) mobile application, which we launched in the fourth quarter of 2015, allows users to search and trade used goods such as computers and peripherals, mobile phones, digital cameras, furniture, household appliances and goods, books, artwork, sporting goods and musical instruments. It is very easy to upload used goods information using mobile features such as picture-taking and video-shooting. Payment solution for Zhuan Zhuan (“转转”) is supported by WeChat payment, which is a convenient and secure payment method. Funds transferred through online payment will not be released to the sellers until the buyers confirm receipt. Users can opt to transact offline face-to-face as well. The use of WeChat account log-on and exclusive WeChat friends relations data has given the platform an extra level of security and social interest. To further increase user engagement, we continue to innovate on the mobile functions and operational design of the application. We encourage users to form interest groups online and share experiences and tips of certain types of goods. We collaborate with some nation-wide suppliers that provide moving, repairs, installation and de-installation services to facilitate transactions of goods that will require such services. For some specific product categories, such as iPhones, we have hired a team that specializes in iPhone authentication and maintenance. Given the increasing knowledge of the marketplace we also recommend price ranges for iPhones. These services have greatly reduced the information asymmetry and lack of trust among users and contributed to the rapidly growing transaction volumes on the platform in 2016.

The Zhao Cai Mao (“招才猫”) mobile application, which we launched in July 2015, is a merchant tool that helps to move the hiring process online, particularly for small businesses. This application allows employers to upload description of their business, post jobs and search for and chat with potential job seekers. Smart phones’ location-based services can help identify job seekers that are more geographically suitable for the open positions. Smart phones’ chat function provides a convenient alternative to phone calls with respect to prospective job search communication. Job seekers on 58 or Ganji jobs category can initiate chat communication, and via an integrated backend system, messages will be pushed to Zhao Cai Mao, for employers to review and respond. Employers can also initiate a chat on Zhao Cai Mao and job seekers can see that and respond on 58 and Ganji applications. Employers can also delegate the hiring responsibility to those within the organization that need to directly communicate with job seekers on the application. They can archive their past communications and resumes of the job seekers, schedule or even conduct interviews on Zhao Cai Mao application. These features make the hiring process more efficient and help employers recruit on the go. While all these hiring actions are carried out on the platform now as opposed to offline in the past, we are accumulating an increasing amount of data and information about user behavior, background and preferences of the employers and job seekers. This not only helps us better control the quality of the information, and streamline the process by providing necessary support when needed, but also enables the platform to become more intelligent in better matching employers and job applications leveraging big data capability. From a business perspective, while we continue to explore these innovative services, we can increasingly diversify our revenue model to more performance-based services rather than marketing services. Revenues generated from these new business models were minimal as of December 31, 2016.

Functionalities of Our Platforms

All users can use our platforms to:

- *Browse and search.* Users can browse and search our large database of listings to retrieve specific listings relevant to their needs for free and without the need of registering an account with us. Users are able to obtain search results based on keyword searches as well as recommended results based on the algorithm of the platform.

- *Post listings.* Users who register with us enjoy the basic services of listing information on our online platforms for free as well as other additional benefits. A registered user can choose to go through our certification process by providing personal identification information, a mobile phone number and an email address for an individual, or business license and contact information for an enterprise. Listings by a registered user that has passed the merchant certification process will be identified with a trust rating score on our online platforms.
- *Communicate.* Other than traditional phone communication, most of our websites and mobile applications offer instant messaging tools enabling users to maintain a “friends list” and communicate online. In addition to the instant messaging tools, our mobile site and mobile applications contain a direct dial feature which allows users to call or send text messages to phone numbers displayed on the listings with one simple touch. Some features are designed specifically for merchants, such as instant notification when users visit their listings, which promotes real-time interaction between merchants and consumers, and recommending users to merchants based on our system’s intelligent matching capability after analyzing a merchant’s listing content and a user’s viewing and communication history.
- *Make reservation and purchase.* In addition to providing a local information directory, our online platforms also facilitate online reservations and transactions between consumers and local merchants or among consumers. For example, users can book domestic services, ad-hoc delivery services and platform services on 58 Home or buy and sell used goods on Zhuan Zhuan (“转转”). We partner with well-known third parties to provide mobile payment interfaces and escrow payment ability.
- *Review and report.* Users can post reviews on listings on our platforms, which provides transparency on merchant credibility. Reviews and ratings are most common in 58 Home and Zhuan Zhuan (“转转”) used goods categories. Consumers can also easily report fraud if they come across suspicious content.

Service Offerings

Membership

A subscription-based membership is a basic service package consisting mainly of merchant certification, display of an online storefront on our platforms, preferential listing benefits such as daily priority listings and a higher quota for daily listings, and access to our dedicated customer service support team and online account management system. Merchants who subscribe to our membership can enjoy more services and obtain more effective marketing than non-paying merchants on our platforms. 58, Ganji and Anjuke offer subscription-based merchant membership packages that include similar types of services although the specific details of the services, such as the quotas for daily listings and downloadable resumes, may vary from platform to platform.

We offer memberships of varying lengths across different content categories. Memberships in the yellow pages and jobs categories are primarily 12-month packages. In China, due to relatively high employee turnover among migrant workers, many businesses have ongoing hiring needs. Memberships in the real estate category are primarily one- to three-month packages due to the higher turnover of real estate agents. We acquire a majority of paying merchant members through our field sales teams. Our centralized and dedicated tele-customer service team supports our paying merchant members during their membership to enhance the effectiveness of the paying merchant members’ marketing efforts and improve the likelihood of membership renewals. A majority of our paying merchant members are small and medium-sized local merchants.

The following table sets forth the number of subscription-based paying membership accounts for the periods indicated:

	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016
	(in thousands)											
Subscription-based Paying Membership Accounts	441.0	510.3	560.1	604.5	797.6	990.0	1,682.0	1,754.8	1,817.8	1,974.0	2,067.2	2,069.7

Note: We define subscription-based paying membership accounts as the registered accounts through which our users have purchased our membership subscriptions. The number of paying membership accounts in a given period represents the paying merchant members whose membership subscriptions are in their service period at any point during such given period.

Since the first quarter of 2015, the number of subscription-based paying membership accounts has included that from the 58 and Anjuke platforms, and since the third quarter of 2015, the number of subscription-based paying membership accounts has included that from the 58, Ganji and Anjuke platforms.

Our membership services package includes the following services:

- *Certification services.* We require merchant certification for local merchants who intend to become our paying merchant members. We require membership applicants to provide us with copies of their business licenses and we check the authenticity of details included in the business licenses against those available in third-party databases, such as the publicly available database of the local administration of industry and commerce. We have also developed various other certification processes and requirements that are specific to different content categories based on our years of experience. Each member that has passed the merchant certification process will be identified as a certified merchant on our platforms.
- *Online storefront.* Paying merchant members can set up online storefronts by utilizing standard website templates that we have developed in-house and that can be customized for different service sectors. A member may include a brief company profile containing the member's contact information and a virtual showroom of the member's products and services. The online storefront also includes online reservation, transaction and payment functions.
- *Preferential listing benefits.* Paying merchant members' listings and online storefronts have priority placement in the listings and search results over those of our non-member registered users. In addition, paying merchant members can designate time intervals throughout a day to refresh their listings up to a pre-set number of times a day without additional fees. Other benefits include higher daily quotas to upload listings, higher discounts to purchase other online marketing services, dedicated telephone numbers through which users can contact merchants for customer services and statistical reports to track marketing effectiveness and participation opportunity in our marketing events.
- *Customer service.* We provide our paying merchant members with a dedicated and experienced customer support team that attends to their inquiries, assists them with setting up their online storefronts, and follows up with them to help optimize their listings and marketing effectiveness. In addition to general customer service, we also provide industry specific online marketing know-how to help merchants maximize their market effectiveness.
- *Account management system.* We have developed a comprehensive account management system which serves as a one-stop shop for our paying merchant members. Our account management system allows paying merchant members to conduct various activities, including managing listings, tracking and evaluating the marketing effectiveness of listings, managing business operations, and purchasing our online marketing services, via a user-friendly interface. Our account management interface is tailored in design and functions for the varying needs and requirements of our paying merchant members in different sectors. Increasingly we have put more resources in developing mobile merchant applications to better leverage mobile features and enhance user engagement. These applications mainly include Zhao Cai Mao ("招才猫") for small business owners or HR professionals, Mobile Agent ("移动经纪人") for real estate agents, and Che Shang Tong ("车商通") for used car dealers. In addition to enabling listings with increased relevance of information through location-based services, the mobile applications also allow merchants to communicate in real time with users. These tools are also available for non-paying merchants, but they are only able to access certain limited functions.

Membership revenues from customers are mostly collected by our field sales teams, while customers can also opt to request and subscribe to memberships through our online interface.

Online Marketing Services

Our online marketing services primarily include listing services, such as real-time bidding and priority listing, display advertising and online marketing services through collaboration with third-party internet companies in China. All of our 58, Ganji and Anjuke platforms offer some forms of online marketing services. 58's and Ganji's online marketing services are mainly listing services that customers purchase to enhance the exposure of their listings. Anjuke's marketing services relate to both listing services for secondary real estate properties and advertising services for primary real estate properties. On average, approximately 54.1% of our quarterly paying membership accounts purchased our online marketing services in 2016.

Merchants can use our real-time bidding services to bid for the most prominent placement of their listings in specific categories and locations on a cost per click basis, also known as CPC. We have developed a user-friendly bidding system through which merchants can create text- and graphic-based descriptions for their listings and bid on the placements of their listings. We set minimum bidding prices which are based on metrics such as traffic and number of clicks generated by precedent placements. We launched our real-time bidding services, mainly for daily listings, in selected categories and locations in the first quarter of 2013. We upgraded the daily bidding systems to a CPC basis for major categories in first quarter of 2015. In 2016, in some categories, instead of a dynamic bidding pricing system, the platform sets fixed CPC price that is subject to regular reviews and adjustment. We made decisions as to which bidding systems to use based on our experience and knowhow about each specific content category. The bidding services enable merchants to market their services to broader and more precise consumer populations. We generate much higher revenues than we otherwise could with the same amount of listing space by attracting more customers and monetize the traffic to their market value.

Merchants can also purchase our priority listing services, which place their listings below real-time bidding listings and above paying merchant members' listings. Merchants can purchase listing placements of varying durations from several hours to several days to several weeks.

We provide display advertisement mainly for primary real estate developers on our Anjuke platform. The customers use these services to enhance their brand recognition and attract consumer attention to the primary real estate projects that are on the market. They can be text- or graphic-based displays for varying time periods ranging from several days to several months.

We collaborate with third-party internet companies by placing the marketing links of their marketing customers on the relevant listing pages on our online platforms. We generate revenues based on the number of clicks or cost-per-thousand impressions at pre-determined prices.

In most cases customers are required to make payment in advance before purchasing our online marketing services, in the form of purchasing virtual online currencies of our platforms. Paying merchant members can log into our account management webpage or mobile application and purchase various online marketing services through an easy-to-use interface. Our account management system enables paying merchant members to review and optimize the performance of their existing listings and to upload and market new listings.

Our field sales and customer service teams stay in regular contact with our customers and play an essential role in promoting our online marketing services to our paying merchant members. Leveraging our expertise in online marketing services, we help our paying merchant members to select the most suitable services to maximize their marketing effectiveness.

E-commerce services

Our e-commerce services are mainly related to Anjuke's primary real estate business. Our e-commerce services for new residential properties take place in the form of selling discount coupons to consumers. We promote developers' properties on the Anjuke platform and facilitate physical property visits and pre-sale customer support. We earn revenue when the discount coupons are used for actual property purchases.

Technology

We have made significant investments in different technologies to ensure superior user experience and information quality. We have built strong capabilities in real-time search, anti-fraud protection and information quality assurance, large-scale systems and scalable infrastructure, account management and real-time bidding technology, mobile technologies, and big data. We have taken over and integrated systems and technologies in our newly acquired and consolidated internet businesses such as Ganji and Anjuke. As of December 31, 2016, we had a team of 3,332 highly skilled product development personnel and engineers with expertise in a broad range of technical areas.

Real-time Search

To accomplish the timely display of information, we have developed a proprietary search engine with high levels of performance, reliability and scalability.

- High performance levels. We have implemented an advanced search indexing system through which all new data are stored immediately after they are posted. Our new postings are typically available for search within three seconds after they are posted.
- Highly reliable. We have developed a load balancing mechanism in the search engine to ensure that our overall searching system will be unaffected by server failure.
- Highly scalable. Our search system is implemented on a distributed and clustered infrastructure which enables the storage and processing of large datasets and facilitates deployment of resources on a larger scale.

Anti-fraud Protection and Information Quality Assurance

We have built a framework in which we measure information quality and classify quality issues into different levels such as fraud risk, authenticity, clarity and relevance. Based on the results of the initial information quality measurement, we deploy information screening technologies according to the level of quality issues we identify. To maximize the efficiency of our system, if we identify a listing as involving a higher level of risk, we do not proceed further with the lower level of screening procedures. Our strong anti-fraud capabilities include:

- *Content analysis technology.* Our system screens every listing for fraud risk before a listing can be displayed on our online platforms by using various specific technologies such as watermark identification, information retrieval and machine learning technologies. Our system is designed to sweep the data being transmitted on our platforms on a real-time basis for sensitive keywords, questionable content and unusual levels of activity.
- *User behavior analysis technology.* Equipped with data mining technology to track and analyze a wide range of anonymous user information, our system can detect and flag potential irregularities and initiate the relevant procedures to quickly identify and fix any potential problems.
- *Manual review and feedback adopting system.* We use a manual review process to screen information that is flagged by our system, requiring a more detailed follow-up. We have built a mechanism through which our system can “learn” from the results if a listing is checked and validated to be accurate through our manual review process, by incorporating the manual review results in our system database. Thus we are able to continue to update our system and enhance the system’s screening capability and efficiency.

Large-Scale Systems and Scalable Infrastructure

We have built a system infrastructure that is easily scalable, supports a massive number of software and systems and has large data storage capacity. Our entire system is built on a distributed, load-balanced computing infrastructure, which is both highly scalable and reliable. The infrastructure can be expanded easily as data storage and user visits increase. We have designed a unified platform, which administers all systems and servers and can reconfigure or redeploy systems or servers automatically whenever needed. We continue to upgrade our system infrastructure so that it can support the mid-to long-term growth of the platform in a more cost effective and efficient manner.

Account Management System

We have developed a comprehensive account management system, which serves as a one-stop shop for our paying merchant members. Our account management system allows paying merchant members to conduct various activities, including managing listings, tracking and evaluating the marketing effectiveness of listings, managing business operations, and purchasing our online marketing services, via a user-friendly online interface.

- *Listing management.* Paying merchant members can generate, upload and delete both text- and graphic-based listings via an easy-to-navigate online interface. Our account management system provides search functions with category-specific search criteria to help our paying merchant members to access and utilize our listing database more effectively and efficiently. The system is also equipped with additional analytic tools for listings in different content categories.

- *Tracking and evaluation of marketing effectiveness.* Paying merchant members can log into our account management webpage to review and optimize performance of their listings. The system keeps track of traffic brought to their listings, and provides further detail on traffic by listing or by time period. Our paying merchant members are therefore able to evaluate their marketing effectiveness by analyzing traffic to their listings compared to that of other listings in similar content subcategories and locations.
- *Business operations management.* Paying merchant members can manage part of their business operations using our account management system.
- *Purchasing online marketing services.* We have placed links to purchase our various online marketing services on our account management webpage, as we believe these services can help our customers achieve better marketing performance. Our paying merchant members can also participate in real-time bidding for priority listings through a simple interface that we provide.

Mobile Technologies

Page views from mobile applications represented 78.1% of total detail page views in 2016. We use native web development capabilities to ensure our applications can be upgraded rapidly and third-party applications can be integrated.

In addition, our mobile applications allow us to collect more detailed user behavior data, leverage our data mining capabilities and introduce new user features, such as personalized content, to enhance user experience.

Big Data Platform and Data Intelligence

We have developed our own big data platform due to the increasing need for large scale and real time data analysis to enhance our operation and user experience.

We have built our big data platform based on existing open source architecture such as Hadoop, which we have modified and customized for our business scenario, to create a reliable and high performance system. We have also built real time data analysis capabilities on top of the big data platform.

We have built a recommendation platform that uses machine learning and data intelligence technologies and gives us fast customization capabilities for different business scenarios. We have customized recommendation systems for different business sectors such as housing, cars and used goods.

Content Management and Monitoring

We have dedicated personnel reviewing content on our platforms for compliance with applicable laws and regulations, aided by a program designed to sweep our platforms and the data being transmitted on our system on a real-time basis for sensitive keywords, questionable content and unusual levels of activity. Content that contains certain keywords is automatically filtered by our program and cannot be successfully posted on our online platforms.

Apart from ensuring our content is compliant with applicable laws and regulations, we believe information quality is critical to superior user experience. We utilize proprietary technology such as text- or picture-based content screening analysis technologies together with manual screening to ensure the relevance, accuracy and credibility of the content on our online platforms. Through the combination of manual review and our system's self-learning ability, we have been increasingly able to identify spam and fraudulent listings. Consumers can also post reviews on merchant listings, which provide transparency on merchant credibility. We also encourage consumers to report fraud if they come across suspicious content by making the fraud report process easy.

We encourage users and merchants to further increase their credibility by going through our merchant certification procedure, which is mandatory for our subscription-based paying merchant members. The increased quality of our merchant network increases the quality of information on our platforms. In addition, we have rolled out a consumer protection program, which contains various measures to help improve information credibility and promote safer online transactions.

We continue to work with other internet companies to share knowledge and practices with respect to information quality management as well as whitelists and blacklists in this area.

Our corporate policy requires a user to enter into a user agreement in the registration process before posting any content on our online platforms. In the user agreement, the user makes certain representations and warranties, including, among other things, that (1) all information submitted for registration purposes and all user-generated content are true, (2) none of the user-generated content infringes on third-party rights or properties, (3) the user-generated content is in compliance with relevant PRC laws and regulations, (4) the user alone is responsible for any losses, injuries, liabilities or expenses arising from or caused by the user-generated content, and (5) the user will not hold us liable for any losses arising from intellectual property right infringement by using our online platforms. However, we may be subject to intellectual property infringement claims or other allegations by third parties for services provided or content displayed on our online platforms. Although we believe that we will have recourse to indemnification from alleged infringing users on the basis of the user agreement, such right to recourse is subject to enforcement mechanisms of the PRC legal system which may not be effective. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — We may be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.”

Sales and Customer Service

Sales

Our field direct sales force provides us with direct access to local merchants and helps us better understand local needs. They help to certify our paying merchant members in person, organize focused workshops or seminars with interested merchants to promote basic concepts of online marketing, promote our services and develop paying merchant members.

As of December 31, 2016, we established branches in 35 major cities and maintained field direct sales teams and sales support teams consisting of 16,437 employees. The coverage of field direct sales teams varies slightly by content category managed by our different business units. This includes our teams from Ganji and Anjuke in addition to our 58 field sales teams and support teams. Our field direct sales teams have directly contributed to the revenue growth of our subscription-based membership services. They also lay the foundation for our online marketing services growth by selling packages that combine subscription-based packages and virtual currencies which customers can later use to purchase various forms of online marketing services.

The compensation package for our sales teams includes fixed basic salaries and commissions based on the revenues or collection they achieve. We provide regular in-house and external education and training, internally developed customer relationship management, call center and other business intelligence systems to our field sales and sales management teams to help them keep up-to-date on new products and services of our company and increase their efficiency in developing new subscription-based paying merchants.

Through 2016, in order to improve the sales efficiency, we have made several changes in how we sell different 58, Ganji and Anjuke subscription-based membership services. The strategy varies by content category which is managed by our different business units. In yellow pages and used goods categories, we have merged the membership products for 58 and Ganji and therefore we have merged the field direct sales teams and replaced some Ganji sales agencies teams with field direct sales teams. In housing category, to a large extent, we have separate teams selling separate services for our 58, Ganji and Anjuke platforms and also replaced some 58 and Ganji sales agencies teams with field direct sales teams. In jobs category, we did not change the geographic coverage between sales agencies and field direct sales teams. Overall our field direct sales teams cover 45 cities. In cities other than those cities where we have field direct sales teams, we utilize sales agencies to grow our business. As of December 31, 2016, we had relationships with about 400 sales agencies. We will continue to evaluate our strategies with respect to the use of field sales teams or sales agencies as well as the uses of separate sales or sales agencies to sell different brands or the same teams to sell multiple brands.

We have been developing interfaces for merchants to purchase and pay for marketing services online on 58, Ganji or Anjuke platforms or through merchant-end mobile applications such as Zhao Cai Mao (“招才猫”). As smart phone usage and mobile payment technology and awareness become more developed in China, we anticipate that the percentage of online purchase and payment of our subscription-based membership services and online marketing services will increase.

Customer Service

General user service. We have centralized dedicated teams who are committed to address general users' queries within 24 hours through online messages or emails. In addition, we closely monitor user feedback from various other channels, such as popular social network services platforms and promptly elevate issues internally and respond to valuable user feedback we collect.

Member service. For our paying merchant members, we have a dedicated customer service center in Tianjin, China, which supports our paying merchant members through our paying merchant members-only toll-free phone number and other online communication channels. Our customer service team employed 1,483 customer service personnel as of December 31, 2016. Our dedicated customer service team is well trained on our membership services functionalities and online marketing services offerings. Using our internally developed customer services systems, our customer service teams analyze data on the performance of the marketing services and help paying merchant members to optimize their online marketing strategies and performance.

New Member Generation. In some cases, we utilize our centralized customer service team to develop new paying merchant members through tele-sales activities. In the industries where local merchants are more familiar with online marketing, we find this to be more cost-effective to promote our online marketing services on the phone, as opposed to having in-person demonstrations of our service offerings. We also use our tele-sales teams to cover remote areas where it is not economical to cover through our field sales teams or sales agent network.

Marketing and Brand Promotion

We believe that there is still lots of room in China for user growth for our platforms, particularly on mobile applications, as smart phones continue to proliferate. Other than continuing enhancing user experience, which drives word-of-mouth and repeat usage, it is also critical to continue to promote our brand and attract more users through various forms of online and offline marketing. Our online marketing activities consist of paid marketing through internet navigation sites and various popular search engines in China and display advertisements. It also includes traffic acquisition on mobile browsers, mobile application stores and selected smart phone application pre-installation. Our offline marketing activities include traditional mainstream media such as television, billboard, direct mailing advertisements, public relations activities, as well as sponsored events to increase our visibility and promote our brand. Our branding efforts cover major brands, such as “58,” “Ganji” and “Anjuke.” We continue to evaluate the return on investment of various advertising channels and among our various platforms. We adjust the focus of our advertising campaign according to this evaluation and our assessment of the external market environment. Although majority of the advertising expenses are incurred to attract consumer users, we also conduct merchant related marketing events, such as seminars and workshops, where we meet with local merchants to share insights in the industries, introduce and promote our various online marketing services to deepen our relationship with the merchant network.

Intellectual Property

Our success and ability to compete depend, in part, upon our ability to establish and adequately protect our intellectual property rights. In this regard, we rely primarily on a combination of patent, copyright, software registration, trademark, trade secret and unfair competition laws and contractual rights, such as confidentiality and license agreements with our employees, partners and others. We hold 47 patents and have applied for the registration of 195 other patents, which cover a variety of technologies, including those relating to data processing, search, distribution and publishing. As of March 31, 2017, we had registered 219 computer software copyrights and 53 artwork copyrights in China, and had registered 37 domain names that are material to our business, including www.58.com, www.58.com.cn, www.ganji.com, www.ganji.com.cn, www.anjuke.com and www.anjuke.cn, and 848 trademarks, including **58同城**, **58** and **Anjuke**, in China, excluding those relating to 58 Home.

Competition

Our competitors in the online marketing space include smaller or regional online classifieds websites as well as industry-or content-specific vertical websites, whose information serve the same underlying industries as certain content categories of our online platforms. We may also face competition from major internet companies, who may enter the online classifieds market in China. We compete primarily with our user traffic, effectiveness of services in reaching targeted users, ability to demonstrate marketing results and customer service capabilities. In some cases, we partner with other internet companies to provide better user experiences and achieve win-win collaborations.

Regulation

This section sets forth a summary of the significant regulations or requirements that affect our business activities in China or our shareholders' rights to receive dividends and other distributions from us.

Regulations on Value-Added Telecommunication Services

The PRC government extensively regulates the telecommunications industry, including the internet sector. The PRC State Council, the MIIT, the Ministry of Commerce, the State Administration for Industry and Commerce, the State Administration of Press, Publication, Radio, Film and Television (formerly the General Administration of Press and Publication) and other relevant government authorities have promulgated an extensive regulatory scheme governing telecommunications, internet-related services and e-commerce. However, the PRC telecommunications industry and internet-related industry are at an early stage of development. New laws and regulations may be adopted from time to time that will require us to obtain additional licenses and permits in addition to those that we currently have, and will require us to address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future Chinese laws and regulations applicable to the telecommunications, internet-related services and e-commerce. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us."

Licenses for Value-Added Telecommunication Services

The Catalogue for the Guidance of Foreign Investment Industries, or the Catalogue, as promulgated and amended from time to time by the Ministry of Commerce and the National Development and Reform Commission, is the principal guide to foreign investors' investment activities in China. The most recent version of the Catalogue, which was promulgated in 2015, divides the industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC laws and regulations. A wholly foreign-owned enterprise is generally permitted for encouraged industries, while for restricted industries, such as value-added telecommunications service industry, there are some limitations to the ownership and/or corporate structure of the foreign-invested companies that operate in such industries. Industries in the prohibited category are not open to foreign investors.

The Telecommunications Regulations issued by the PRC State Council in September 2000 and amended subsequently are the primary regulations governing telecommunication services. The Telecommunications Regulations set out the general framework for the provision of telecommunication services by PRC companies. Under the Telecommunications Regulations, it is a requirement that telecommunications service providers procure operating licenses prior to their commencement of operations. The Telecommunications Regulations draw a distinction between "basic telecommunications services" and "value-added telecommunications services." Information services such as content service, entertainment and online games services are classified as value-added telecommunications services.

Pursuant to the Administrative Measures for Telecommunications Business Operating Permit promulgated by the MIIT in March 2009, there are two types of telecom operating licenses for operators in China, namely, licenses for basic telecommunications services and licenses for value-added telecommunications services. The operation scope of the license will detail the permitted activities of the enterprise to which it is granted. An approved telecommunication services operator must conduct its business in accordance with the specifications recorded on its value-added telecommunications services operating license.

Pursuant to the Administrative Measures on Internet Information Services, promulgated by the PRC State Council in September 2000 and amended subsequently, commercial internet information services operators must obtain an ICP License, from the relevant government authorities before engaging in any commercial internet information services operations within China. Beijing 58, our consolidated affiliated entity, obtained an ICP License issued by Beijing Administration of Telecommunication in May 2006, which was renewed in May 2011 and again in May 2016, and will expire in April 2021.

Foreign Investment in Value-Added Telecommunications Services

Pursuant to the Provisions on Administration of Foreign-Invested Telecommunications Enterprises, promulgated by the State Council in December 2001 and amended subsequently, the ultimate foreign equity ownership in a value-added telecommunications services provider may not exceed 50%, except for e-commerce business, in which foreign investors are allowed to have 100% ownership in accordance with the Guidance Catalog of Industries for Foreign Investment amended in March 2015, and an announcement by the MIIT in June 2015. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunication business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunication business overseas. Foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce or its authorized local counterparts, which retain considerable discretion in granting approvals. Pursuant to publicly available information, the PRC government has issued telecommunications business operating licenses to only a limited number of foreign-invested companies, all of which are Sino-foreign joint ventures engaging in the value-added telecommunication business.

The MIIT Circular issued in July 2006, reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain a business operating license for internet content provision to conduct any value-added telecommunications business in China. Pursuant to the circular, a domestic company that holds an ICP license is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local ICP license holder or its shareholders. The MIIT Circular further requires each ICP license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations.

In light of the aforesaid restrictions, we rely on Beijing 58, our consolidated affiliated entity, to hold and maintain the licenses necessary to provide online marketing services and other value-added telecommunications services in China. For a detailed discussion of our contractual arrangement, please refer to “— C. Organizational Structure.” To comply with these PRC regulations, we operate our websites and value-added telecommunications services through Beijing 58. Beijing 58 holds an ICP license and owns all domain names used in our value-added telecommunications businesses. Beijing 58, together with its subsidiaries, is also the owner of all registered trademarks which are used in our value-added telecommunications businesses and is the applicant of all registered trademark applications we are currently making.

Regulations on Advertising Services

According to relevant laws and regulations, companies that engage in advertising activities must obtain a business license from the SAIC or its local branches which specifically include operating an advertising business within its business scope. Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been performed and the relevant approval has been obtained. Where internet information service providers know or should know that illegal advertisements are distributed using their services, they should prevent such advertisements from being distributed.

The Interim Measures, also sets forth certain compliance requirements for online advertising businesses. For example, paid search results must be indicated as an advertisement and distinguished from natural search results. Advertising operators and distributors of internet advertisement must examine, verify and record identity information, such as name, address and contact information, of advertisers, and maintain an updated verification record on a regular basis. Moreover, advertising operators and advertising distributors must examine supporting documentation provided by advertisers and verify the content of the advertisements against supporting documents before publishing. If the content of advertisements are inconsistent with the supporting documentation, or the supporting documentation is incomplete, advertising operators and distributors must refrain from providing design, production, agency or publishing services.

Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In the case of serious violations, the SAIC or its local branches may force the violator to terminate its advertising operation or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties. We have adopted policies and procedures and have provided training to our content review team to ensure our compliance with these laws and regulations.

Regulations on Mobile Internet Applications

In August, 2016, the State Internet Information Office promulgated the Administrative Provisions on Mobile Internet Application Information Services, or the Mobile Application Administrative Provisions. Pursuant to the Mobile Application Administrative Provisions, mobile internet applications refer to application software that run on smart mobile devices providing information services after being pre-installed, downloaded or embedded through other means. Mobile internet application providers refer to the owners or operators of mobile internet applications.

Pursuant to the Mobile Application Administrative Provisions, an internet application provider must verify a user's mobile phone number and other identity information following the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet application provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's smart mobile device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user's consent to such functions and application programs. If an application provider violates the regulations, the internet application store service provider must take measures to stop the violations, including warning, suspending the release, withdrawing the application from the platform, keeping a record and reporting the incident to the relevant governmental authorities.

In December 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Smart Mobile Terminals, or the Pre-Installed Application Interim Measures, to enhance the administration of mobile applications. The Pre-Installed Application Interim Measures require, among others, that mobile phone manufacturers and internet information service providers ensure that a mobile application, together with its ancillary resource files, configuration files and user data, can be uninstalled by a user on a convenient basis, unless it is a basic function, which supports the normal functioning of hardware and operating system of a smart mobile device. The Pre-Installed Application Interim Measures will come into effect on July 1, 2017.

We are subject to these measures as we provide listing-based information services through different mobile applications such as 58 Home, and we have adopted policies and measures regarding the collection, verification, use, storage, transmission and security of user's information to comply with the relevant laws and regulations.

Regulations on Information Security and Censorship

The PRC government regulates and restricts internet content in China to protect state security and ensure the legality of the internet content. The Standing Committee of the National People's Congress, the PRC national legislative body, enacted a law in December 2000, as subsequently amended, among other things, makes it unlawful to: (1) gain improper entry into a computer or system of strategic importance; (2) disseminate politically disruptive information; (3) leak state secrets; (4) spread false commercial information; or (5) infringe intellectual property rights. Pursuant to the Administrative Measures on Internet Information Services and other applicable laws, internet content providers and internet publishers are prohibited from posting or displaying over the internet content which violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Internet service providers are required to monitor their websites, including electronic bulletin boards. They may not post or disseminate any content that falls within these prohibited categories and must remove any such content from their websites. The PRC government may shut down the websites of ICP license holders that violate any of the above-mentioned content restrictions and revoke their ICP licenses. In addition, the MIIT has published regulations that subject ICP operators to potential liability for content displayed on their websites and the actions of users and others using their systems, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider to block any internet website at its sole discretion. From time to time, the Ministry of Public Security has stopped the dissemination over the internet of information which it believes to be socially destabilizing.

The Ministry of Public Security has promulgated measures in December 1997 that prohibit the use of the internet in ways which, among other things, result in a leakage of State secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. Under PRC law, state secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities.

In December 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection. These measures and the Administrative Measures on Internet Information Services require all ICP operators to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of listings by users) for at least 60 days and submit the above information as required by laws and regulations. The ICP operators must regularly update information security and censorship systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content. If an ICP operator violates these measures, the PRC government may revoke its ICP license and shut down its websites. Pursuant to the Decision on Strengthening Network Information Protection issued by the Standing Committee of the PRC National People's Congress in December 2012, ICP operators must request identity information from users when ICP operators provide information publication services to the users. If ICP operators come across prohibited information, they must immediately cease the transmission of such information, delete the information, keep relevant records, and report to relevant government authorities. In July 2013, the MIIT promulgated the Regulation on Protection of Personal Information of Telecommunication and Internet Users to provide for more detailed rules in this respect. In November, 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law, which will become effective on June 1, 2017. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by laws, regulations and mandatory requirements to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

The Standing Committee of the National People's Congress promulgated Anti-Terrorism Law in December, 2015, which took effect on January 1, 2016. According to the Anti-Terrorism Law, telecommunication service operators or internet service providers must, among others, (i) provide technical support and assistance to the relevant government authorities in preventing and investigating terrorist activities, (ii) implement network security and information monitoring systems and take safety and prevention measures to prevent the dissemination of terrorism information, delete the terrorism information, immediately stop its dissemination, and keep record and report to the relevant government authorities once the terrorism information is discovered, and (iii) examine the identity of customers before providing services. Any violation of the Anti-Terrorism Law may result in severe penalties, including substantial fines.

As Beijing 58 is an ICP operator, it is subject to the laws and regulations relating to information security. To comply with these laws and regulations, it has completed the mandatory security filing procedures with the local public security authorities, regularly update their information security and content-filtering systems with newly issued content restrictions, and maintains records of users' information as required by the relevant laws and regulations. Beijing 58 has also taken measures to delete or remove links to content that to its knowledge contains information violating PRC laws and regulations. The majority of the content posted on our online platforms is first screened by our filtering systems. Content containing prohibited words or images is then manually screened by employees who are dedicated to screening and monitoring content published on our online platforms and removing prohibited content. Furthermore, Beijing 58 has adopted and maintained system controls, protocols and policies that are designed to ensure its compliance with the requirements of the new Cyber Security Law. We believe that with these measures in place, no prohibited content under PRC information security laws and regulations should have been publicly disseminated through our online platforms in the past. However, there is significant amount of content posted on our online platforms by our users on a daily basis. If any prohibited content is publicly disseminated in the future and we become aware of it, we will report it to the relevant government authority. We believe these measures taken by us are generally in compliance with the relevant laws and regulations.

If, despite the precautions, we fail to identify and prevent illegal or inappropriate content from being displayed on or through our online platforms, we may be subject to liability. In addition, these laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could result in liability. To the extent that PRC regulatory authorities find any content displayed on or through our online platforms objectionable, they may require us to limit or eliminate the dissemination or availability of such content or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and users on our online platforms increases.

Regulations on Internet Privacy

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of these rights. In recent years, PRC government authorities have promulgated laws and regulations on internet use to protect personal information from any unauthorized disclosure. The Decision on Strengthening Network Information Protection and the Regulation on Protection of Personal Information of Telecommunication and Internet Users provide that information that identifies a citizen, the time or location for his use of telecommunication and internet services, or involves privacy of any citizen such as his birth date, ID card number, and address is protected by law and must not be unlawfully collected or provided to others. ICP operators collecting or using personal electronic information of citizens must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. ICP operators are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. ICP operators are also prohibited from collection and use of personal information after a user has stopped using the services. ICP operators are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss as well as conducting a self-examination of their protection of personal information at least once a year. The Administrative Measures on Internet Information Services prohibit an ICP operator from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. In accordance with the Cyber Security Law, network operators must not collect personal information irrelevant to their services. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators must take immediate remedial measures, notify the affected users and report the incidents to the relevant authorities in a timely manner. If any user knows that a network operator illegally collects and uses his or her personal information in violation of laws, regulations or any agreement with the user, or the collected and stored personal information is inaccurate or wrong, the user has the right to request the network operator delete or correct the relevant collected personal information.

The relevant telecommunications authorities are further authorized to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability, including warnings, fines, confiscation of illegal gains, revocation of licenses or filings, closing of the relevant websites, administrative punishment, criminal liabilities, or civil liabilities, if they violate relevant provisions on internet privacy. Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress in August 2015 and becoming effective in November, 2015, any ICP provider that fails to fulfill its obligations relating to internet information security administration under applicable law and refuses to rectify upon an order will be subject to criminal liability for (i) any dissemination of illegal information on a large scale, (ii) any severe effect due to the leakage of client information, (iii) any serious loss of evidence of criminal activities, or (iv) other severe situations, while any individual or entity that sells or provides personal information to others unlawfully, or steals or otherwise unlawfully obtains any personal information will be subject to criminal liability in severe situations. The PRC government, however, has the power and authority to order ICP operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet.

Regulations on Internet Mapping Services

Pursuant to the PRC regulations applicable to internet mapping services issued by the National Administration of Surveying, Mapping and Geo information (formerly known as the State Bureau of Surveying and Mapping), maps transmitted through internet are internet maps. To provide internet mapping services, the provider shall apply for a Surveying and Mapping Qualification Certificate for internet mapping with the competent surveying and mapping bureau. The PRC regulations also provide for certain conditions and requirements for issuing the Surveying and Mapping Qualification Certificate, such as the number of technical personnel and map security verification personnel, security facilities, and approval from relevant provincial or municipal surveying and mapping bureau on security system, qualification management and filing management. Internet maps must be approved by relevant government authority before they can be publicized on internet. Further, the State Bureau of Surveying and Mapping and other seven PRC government authorities jointly issued a notice in 2008, to investigate and punish the illegal and non-compliance activities with respect to the internet mapping services or geography information services. We currently provide location information in our real estate directory by using maps provided by a third-party internet map operator, which may be deemed as one type of internet mapping services. Our consolidated affiliated entity, Beijing 58, obtained a Surveying and Mapping Qualification Certificate for internet map search and location services in May 2012, which was renewed in January 2015 and will expire in December 2019. Shanghai Ruijia, a subsidiary of Beijing 58, is in the process of applying for the Surveying and Mapping Qualification Certificate.

Regulations on Employment Agency Services

In accordance with the Employment Promotion Law promulgated by the Ministry of Human Resources and Social Security and the Regulations on Employment Service and Employment Administration promulgated by the Ministry of Human Resources and Social Security, both with effect from January 1, 2008, an employment agency, which provides intermediary and other services for recruitment by employers and job seeking by employees, must obtain an Employment Agency License from the relevant labor authority and be subject to annual inspection by such authority. An employment agency may engage in collecting and publishing job seeking and recruitment information and providing internet employment information services in accordance with relevant laws and regulations. An employment agency is prohibited from providing services for individuals without legal identity certifications or enterprises without legal licenses. A wholly foreign-owned enterprise (other than owned by Hong Kong and Macau service providers) is prohibited from conducting employment agency business. Our jobs and resumes directory provides an online platform for job seekers and employers to post resumes and job opportunities. Our consolidated affiliated entity, Beijing 58, initially obtained an Employment Agency License in March 2012 and recently had it renewed in April 2016. The renewed Employment Agency License will expire in March 2019.

Regulations on E-commerce

The PRC e-commerce industry is at an early stage of development and there are few PRC laws or regulations specifically regulating e-commerce business. In December 2007, the Standing Committee of Beijing Municipal People's Congress adopted the Beijing Municipal Regulations on Promotion of Informatization, which provide that any individual or enterprise that conducts business operations through the internet must obtain a business license and/or other necessary licenses prior to operation. The operator of an online platform is responsible for checking such individuals' or enterprises' licenses. In July 2008, the Beijing AIC promulgated certain rules for implementing the above-mentioned regulation. Pursuant to these rules, any individual or enterprise failing to obtain a business license may be prohibited from doing business on an e-commerce platforms operating in Beijing, and violation of these rules may lead to penalties on either the individual/enterprise or the operator of the e-commerce platforms. On January 26, 2014, the State Administration for Industry and Commerce adopted the Administrative Measures for Online Trading, or the Online Trading Measures, which became effective on March 15, 2014 and repealed the Interim Measures for the Administration of Online Products Sales and Relevant Services previously issued in May 2010. Pursuant to the Online Trading Measures, enterprises or other operators that engage in online product sales and other services and have been registered with the State Administration for Industry and Commerce or its local branch must make available to the public the information stated in their business licenses or the link to their business licenses online on their websites; individuals that engage in online product sales and other services must submit actual identification information such as name and address to the operator of the e-commerce platforms. The Online Trading Measures, however, allow individuals to engage in online product sales and other services without obtaining a business license. Under the Online Trading Measures, a consumer is entitled to return the products (other than customized products, fresh and perishable goods, audio or visual products, computer software and other digital products downloaded online or unpackaged by consumers, and newspapers and journals that have been delivered) within seven days from the date after receipt of the products without giving any reason. The online sellers must, within seven days upon receipt of the returned products, refund the prices paid by consumers for relevant products. In addition, sellers are prohibited from using contract terms or other means setting out provisions that are unfair or unreasonable to consumers such as those excluding or restricting consumers' rights, reducing or exempting operators' responsibilities, and increasing the consumers' responsibilities, and are prohibited from forcing consumers to enter into transactions by using contract terms and technical means.

Beijing 58 has obtained a business license from a branch of the Beijing AIC with a term from December 2005 to December 2025. Based on our verbal consultation with the Beijing AIC, we believe that, except for merchants who conduct transactions on our online platforms, our other users who list information on our platforms and conduct the product sales and other services offline are not subject to the provisions regarding online platforms. As for merchants who conduct transactions on our online platforms, we check their business licenses before allowing them to post listings on our platforms to ensure compliance with license requirements under PRC laws and regulations. However, uncertainties exist in terms of the implementation of these national and Beijing local rules due to the lack of practical guidance. We cannot predict with certainty to what extent these rules will affect our business operations or future strategies.

Regulations on Internet Information Search Service

In June 2016, the State Internet Information Office promulgated the Administrative Provisions on Internet Information Search Services, or the Search Services Administrative Provisions, which took effect on August 1, 2016. Pursuant to the Search Services Administrative Provisions, internet information search service refers to the service whereby users can search for information that is collected from the internet and processed by computer technology. The Search Services Administrative Provisions require that an internet information search service provider must not publish any information or contents prohibited by law in the form of links, abstracts, snapshots, associative words, related search or recommendations or otherwise. If an internet information search service provider identifies any search results that contain any information, website or application that is prohibited by law, it must stop displaying the search results, and record and report it to the relevant governmental authority. In addition, an internet information search service provider is prohibited from seeking illegitimate interest by means of unauthorized disconnection of links, or provision of search results containing false information. If an internet information search service provider engages in paid search services, it must examine and verify the qualifications of its customers of the paid search services, specify the maximum percentage of search results as paid search results on a webpage, clearly distinguish paid search results from natural search results, and notably identify the paid search information item by item. We may be found as an internet information search service provider. We have adopted policies and have maintained procedures designed to ensure the compliance of our operation with these regulations. For example, we monitor the content in our search results and remove any questionable search listings.

Regulations on Software Products

The State Copyright Bureau issued the Computer Software Copyright Registration Procedures in February 2002, which apply to software copyright registration, exclusive licensing contract registration and transfer contract registration. Although registration is not mandatory under PRC law, software copyright owners are encouraged to go through the registration process and registered software may receive better protection. As of March 31, 2017, we had registered 219 computer software copyrights in China, excluding those relating to 58 Home.

Regulations on Trademarks

Trademarks are protected by the PRC Trademark Law adopted in 1982 and subsequently amended as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council in 2002 and subsequently amended. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations. Trademarks can be registered for a term of ten years and can be extended for another ten years if requested upon expiry of the first or any renewed ten-year term. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same type of or similar commodities or services, the application for such trademark registration may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such another party’s use. Trademark license agreements must be filed with the Trademark Office or its regional offices. As of March 31, 2017, we had registered 848 trademarks in China, excluding those relating to 58 Home.

Regulations on Patent

The PRC Patent Law provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office is responsible for examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and designs. As of March 31, 2017, we held 47 patents and had applied for the registration of 195 other patents, all of which are in the process of examination by the State Intellectual Property Office.

Tort Liability Law

In accordance with the Tort Liability Law, internet users and internet service providers bear tortious liabilities in the event they infringe other persons' rights and interests through the internet. Where an internet user conducts tortious acts through internet services, the infringed person has the right to request the internet service provider to take necessary actions such as deleting contents, screening and delinking. The internet service provider, failing to take necessary actions after being informed, will be subject to joint and several liabilities with the internet user with regard to the additional damages incurred. If an internet service provider knows an internet user is infringing other persons' rights and interests through its internet service but fails to take necessary action, it shall be jointly and severally liable with the internet user. We have internal policy designed to reduce the likelihood that user content may be used without proper licenses or third-party consents. When we are approached and requested to remove content uploaded by users on the grounds of infringement, we investigate the claims and remove any uploads that appear to infringe the rights of a third party after our reasonable investigation and determination. However, such policy may not be effective in preventing the unauthorized listing of copyrighted materials or materials infringing other rights of third parties. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — We may be held liable to third parties for information or content displayed on, retrieved from or linked to our website, or distributed to website users, which could harm our reputation and business."

Regulations on Foreign Currency Exchange

Pursuant to the *Foreign Exchange Administration Regulations*, as amended in August 2008, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless SAFE's prior approval is obtained and prior registration with SAFE is made. In May, 2013 SAFE promulgated SAFE Circular 21 which provides for and simplifies the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or the SAFE Notice 13, which became effective on June 1, 2015. Pursuant to SAFE Notice 13, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE as required under current laws, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, will directly examine the applications and conduct the registration. We generally follow the regulations and apply to obtain the approval of SAFE and other relevant PRC government authorities. However, we may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to our PRC subsidiaries and our consolidated affiliated entities may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

In August 2008, SAFE promulgated a SAFE Circular 142 regulating the conversion, by a foreign-invested enterprise, of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The SAFE Circular 142 requires that the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within China. In July 2014, SAFE promulgated the SAFE Circular 36 regarding the pilot administration on the settlement of the foreign currency-denominated capital of foreign-invested enterprises in certain designated areas and removed some of the restrictions provided under SAFE Circular 142 in these areas. In March 2015, SAFE promulgated SAFE Circular 19, which came into force replacing both SAFE Circular 142 and SAFE Circular 36 on June 1, 2015. Although SAFE Circular 19 allows for the use of Renminbi converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions will continue to apply as to foreign-invested enterprises' use of the converted Renminbi for purposes beyond the business scope, for entrusted loans or for inter-company Renminbi loans. In addition, SAFE Circular 19 is still unclear whether a foreign-invested enterprise whose business scope does not include equity investment or similar activities may use Renminbi converted from the foreign currency-denominated capital for equity investments in the PRC. Violations of these circulars and rules will result in severe penalties, such as heavy fines. These circulars may significantly limit our ability to use Renminbi converted from net proceeds of our securities offerings to provide financial support to our consolidated variable interest entities in China through our PRC subsidiaries.

The principal regulations governing distribution of dividends of foreign-invested enterprises include the Foreign-Invested Enterprise Law and the Implementation Rules of the Foreign-invested Enterprise Law, as amended from time to time. Pursuant to these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. In addition, these companies may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends.

Regulations on Offshore Financing

Pursuant to a SAFE Circular 37 issued by SAFE in July 2014, prior registration with the local SAFE branch is required for PRC residents, including PRC individuals and PRC entities, to establish or control an offshore company for the purposes of overseas investment or financing with legitimate assets or equity interests in an onshore enterprise or offshore assets or interests located in China. The PRC residents are also required to amend the registration or filing with the local SAFE branch any material change in the offshore company, such as any change of basic information (including change of such PRC residents, name and operation term), increase or decreases in investment amount, transfers or exchanges of shares, or merger or divisions. On February 28, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Pursuant to SAFE Notice 13, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE as required under current laws, entities and individuals will be required to apply for such foreign exchange registrations, including those required under the SAFE Circular 37, from qualified banks. The qualified banks, under the supervision of SAFE, will directly examine the applications and conduct the registration.

Failure to comply with the registration procedures set forth in the SAFE Circular 37, or making misrepresentation on or failure to disclose controllers of foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entities, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who directly or indirectly hold any shares in our company from time to time are required to register with SAFE in connection with their investments in us. We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required under the SAFE Circular 37 and other related rules. To our knowledge, all of our shareholders who are PRC citizens and hold interest in us, have registered with the local SAFE branch as required under the SAFE Circular 37 and are in the process of amending certain applicable registrations with the local SAFE pursuant to the SAFE Circular 37. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us, limit our ability to inject capital into our PRC subsidiaries, or otherwise expose us to liability and penalties under PRC law.”

Regulations on Employee Stock Option Plans

In February 2012, SAFE promulgated the Stock Option Rules, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agents before distribution to such PRC residents.

We adopted an employee stock option plan in 2010 and a share incentive plan in 2013. Pursuant to these two plans, we may issue options, restricted shares, restricted share units or other type of awards to our qualified employees and directors and consultants on a regular basis. We have advised our employees and directors participating in the employee stock option plan to handle foreign exchange matters in accordance with the Stock Option Rules. However, we cannot assure you that our PRC individual beneficiary owners and the share options holders can successfully register with SAFE in full compliance with the Stock Option Rules. The failure of our PRC individual beneficiary owners and the share options holders to complete their registration pursuant to the Stock Option Rules and other foreign exchange requirements may subject these PRC individuals to fines and legal sanctions, and may also limit our ability to contribute additional capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us or otherwise materially adversely affect our business. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions"

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by relevant laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

PRC Enterprise Income Tax Law and Individual Income Tax Law

Under the Enterprise Income Tax Law, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25%. An enterprise established outside of the PRC with its "de facto management bodies" located within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementation rules of the Enterprise Income Tax Law define "de facto management body" as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

SAT Circular 82, issued by the State Administration of Taxation in April 2009 and amended in January 2014, provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in China. Pursuant to SAT Circular 82, a PRC-controlled offshore incorporated enterprise has its "de facto management body" in China only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in China; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in China; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in China. SAT Bulletin 45, which took effect from September 2011, provides more guidance on the implementation of SAT Circular 82 and provides for procedures and administration details of determination on resident status and administration on post-determination matters. Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, the determining criteria set forth there may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals.

Due to the lack of applicable legal precedents, it remains unclear how the PRC tax authorities will determine the PRC tax resident treatment of a foreign company controlled by individuals like us. We do not believe 58.com Inc., China Classified Network Corporation, China Classified Information Corporation Limited or any of our other offshore subsidiaries meet all the criteria provided by the implementation rules, thus we do not believe 58.com Inc., China Classified Network Corporation, China Classified Information Corporation Limited or any of our other offshore subsidiaries is a PRC "resident enterprise." If the PRC tax authorities determine that 58.com Inc., China Classified Network Corporation, China Classified Information Corporation Limited or any of our other offshore subsidiaries is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Under the Enterprise Income Tax Law, we may be classified as a PRC "resident enterprise" for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment."

The Enterprise Income Tax Law and its implementation rules permit certain “high and new technology enterprises strongly supported by the state” that hold independent ownership of core intellectual property and simultaneously meet a list of other criteria, financial or non-financial, as stipulated in the implementation rules and other regulations, to enjoy a reduced 15% enterprise income tax rate subject to certain new qualification criteria. The State Administration of Taxation, the Ministry of Science and Technology and the Ministry of Finance jointly issued the Administrative Rules for the Certification of High and New Technology Enterprises delineating the specific criteria and procedures for the “high and new technology enterprises” certification in April 2008. Enterprises recognized as “high and new technology enterprises” will enjoy a reduced 15% enterprise income tax rate after they go through tax reduction application formalities with relevant tax authorities. Beijing 58 and Beijing 58 Auto, our consolidated affiliated entities, and Wanglin and Shanghai Ruiting, our PRC subsidiaries, renewed their “high and new technology enterprise” certificates in 2015 and 2016, respectively, and will be eligible for a preferential tax rate of 15% when they have taxable income under the Enterprise Income Tax Law, as long as they maintain the “high and new technology enterprise” status.

In addition, qualified software enterprises are exempt from the enterprise income tax for two years beginning from their first profitable year and are entitled to a 50% tax rate reduction for the subsequent three years. The software enterprise qualification is subject to an annual assessment. Wanglin was determined to be a qualified software enterprise in July 2014 and was granted a two-year exemption followed by a 50% reduction on its taxable income under the Enterprise Income Tax Law for the subsequent three years, effective retroactively from January 1, 2014. Therefore, Wanglin is entitled to an exemption in 2014 and 2015 and a 50% tax rate deduction from 2016 to 2018 as long as it is able to pass the annual assessment for software enterprise qualification for each of the respective years. 58 Technology, one of our PRC subsidiaries, also qualified as a software enterprise in March 2016 and was granted a two-year exemption followed by a 50% reduction on its taxable income under the Enterprise Income Tax Law for the subsequent three years, effective retroactively from January 1, 2015. Therefore, 58 Technology is entitled to an exemption in 2015 and 2016 and a 50% tax rate deduction from 2017 to 2019 for so long as it maintains this qualification.

Regulation on PRC Business Tax and VAT

Prior to January 1, 2012, pursuant to the Provisional Regulation of China on Business Tax and its implementing rules, any entity or individual rendering services in the territory of PRC was generally subject to a business tax at the rate of 5% on the revenues generated from provision of such services. Our PRC subsidiaries and consolidated affiliated entities were subject to business tax at the rate of 5% for the membership and online marketing services.

Since January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation have been implementing the VAT Pilot Program, which imposes VAT in lieu of business tax for certain industries in Shanghai, and since September 1, 2012, this Pilot Program has been expanded to other regions. In August 2013, the program was further expanded nationwide.

VAT is applicable at a rate of 6% in lieu of business tax for the membership, online marketing services and e-commerce services rendered by all of our PRC subsidiaries and consolidated affiliated entities. VAT payable on goods sold or taxable services provided by a general VAT taxpayer for a taxable period is the net balance of the output VAT for the period after crediting the input VAT for the period. With the adoption of the Pilot Program, our revenues are subject to VAT payable on goods sold or taxable labor services provided by a general VAT taxpayer for a taxable period. VAT payable is the net balance of the output VAT for the period after deducting the input VAT for the period. Hence, the amount of VAT payable does not result directly from output VAT generated from goods sold or taxable labor services provided. Accordingly, we have adopted the net presentation of VAT.

Employment Laws

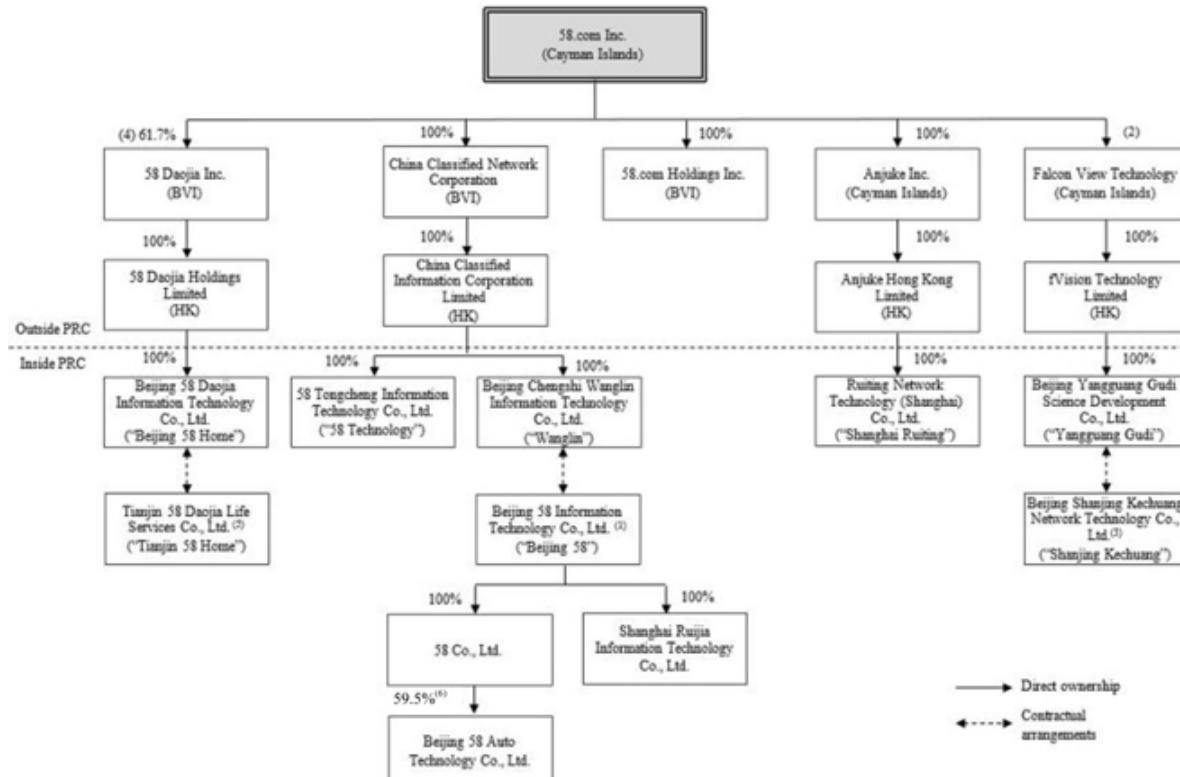
In accordance with the PRC National Labor Law, which became effective in January 1995, and the PRC Labor Contract Law, which became effective in January 2008, as amended subsequently, employers must execute written labor contracts with full-time employees in order to establish an employment relationship. All employers must compensate their employees equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. In addition, employers in China are obliged to pay contributions to the social insurance plan and the housing fund plan for employees.

We have entered into employment agreements with all of our full-time employees. We have not fully contributed to the social insurance plan and the housing fund plan as required by applicable PRC regulations. As of December 31, 2016, with regards to the outstanding contributions to such plans, we made provisions of approximately RMB130.1 million. While we believe we have made adequate provision of such outstanding amounts of contributions to such plans in our audited financial statements, our failure to make sufficient payments to such plans does not fully comply with applicable PRC laws and regulations and we may be required to make up the contributions for such plans as well as to pay late fees and fines. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Our failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties."

The draft is now open for public review and comments. It is still uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft. When the Foreign Investment Law becomes effective, the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations, will be abolished.

C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and consolidated affiliated entities as of the date of this annual report:



Notes:

* We have omitted from this diagram other consolidated entities of 58.com Inc. that, in the aggregate, would not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X as of December 31, 2016.

(1) Jinbo Yao, Lianqing Zhang, Jianbo Su and Beijing Wanglintong Information Technology Co., Ltd. hold 37.8%, 39.8%, 9.0% and 13.4% equity interests in Beijing 58, respectively. Among the shareholders of Beijing 58, Jinbo Yao and Jianbo Su are shareholders of our company. Lianqing Zhang is not affiliated to us. Jinbo Yao is the sole director and holds a 16.7% equity interest in Beijing Wanglintong which is jointly owned by Jinbo Yao, Xiaohua Chen, holding 15.92% equity interest, Jiandong Zhuang, holding 15.8% equity interest, and five other individuals who are employees or ex-employees of our company. Beijing Wanglintong, a PRC domestic company, does not have any business operations or assets other than its equity interest in Beijing 58. The registered business scope of Beijing Wanglintong includes technology promotional services, software development and computer technology training.

- (2) Falcon View Technology, or Ganji, is the holding company of the PRC entities operating Ganji.com, a major online local services platform in China. In April 2015, we acquired a less than 50% equity stake in Ganji. Later in 2015, our company, as a limited partner, contributed newly issued Class A ordinary shares and cash to several private equity funds that are dedicated to investing in businesses in China. These funds are managed by investment entities unaffiliated with each other and unaffiliated with us. These funds, together with Tencent, acquired all the remaining equity interest in Ganji in August 2015. Since August 2015, we have consolidated the financial results of Ganji in our consolidated financial statements. See "Item 4. Information on the Company — A. History and Development of the Company."
- (3) 58 Co., Ltd., Mark Haoyong Yang, one Ganji employee and one 58 employee hold 49.00%, 0.31%, 30.69% and 20.00% equity interests in Shanjing Kechuang, respectively. Mark Haoyong Yang is our former co-chairman of board of directors and former co-chief executive officer, and he currently serves as chairman and chief executive officer of Guazi.
- (4) 58 Daojia Inc., or 58 Home, is the holding company of the PRC entities that operate 58 Home business. On November 27, 2015, 58 Home completed a Series A equity funding round, with participation from Alibaba Group Holding Limited, global investment firm KKR, and Ping An Group. Following the closing of the Series A financing of 58 Home, 58.com Inc. holds 87.9% of the total outstanding ordinary shares of 58 Home and 61.7% of the total outstanding shares of 58 Home on an as-converted basis. As certain rights provided to the non-controlling Series A preferred shareholders of 58 Home would be viewed as substantive participating rights under U.S. GAAP, we have ceased consolidating the financial results of 58 Home in our consolidated financial statements in accordance with U.S. GAAP since November 27, 2015.
- (5) 58 Co., Ltd., Jinbo Yao and Xiaohua Chen hold 94.1%, 1.4% and 4.5% equity interest in Tianjin 58 Home, respectively. Jinbo Yao is our chairman and chief executive officer, and Xiaohua Chen is our chief strategic officer and the chief executive officer of 58 Home.
- (6) The other shareholders of Beijing 58 Auto Technology Co., Ltd. include its chief executive officer and certain third party investors, who hold 15.0% and 25.5% of equity interests in this company, respectively.

Our Contractual Arrangements

Prior to 2012, we conducted substantially all of our business operations through Beijing 58. Since 2012, we have started to conduct our business operations that are not subject to PRC legal restrictions on foreign ownership through our wholly owned subsidiaries, Wanglin and 58 Technology, to address risks related to the contractual arrangements discussed above and under "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure and Restrictions on Our Industry." Currently, we primarily use Wanglin and 58 Technology, rather than Beijing 58, to provide services to our customers, and we have transferred a significant portion of our personnel, including substantially all of our administrative and product development personnel, from Beijing 58 to Wanglin and 58 Technology. As of December 31, 2015, a majority of our assets were held by Wanglin, 58 Technology and Shanghai Ruiting. Wanglin, 58 Technology and Shanghai Ruiting collectively generated a majority of our revenues in 2015 and we currently expect that they will continue to generate a majority of our revenues going forward. We further expect Beijing 58's business to be limited primarily to services that are legally required to be conducted through a PRC domestic entity.

We acquired a less than 50% equity stake in Ganji in April 2015, and have consolidated the financial results of Ganji in our consolidated financial statements since August 2015. Ganji operates online multi-content category classified advertising platforms in China through its PRC subsidiaries and consolidated affiliated entities, including Shanjing Kechuang.

In August 2015, Tianjin 58 Home, which had previously been an indirect subsidiary of Beijing 58, became 58 Home's consolidated affiliated entity.

In the opinion of our PRC counsel, Han Kun Law Offices, the contractual arrangements described below are valid, binding and enforceable under current PRC laws. However, these contractual arrangements may not be as effective in providing control as direct ownership. There are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. For a description of the risks related to our corporate structure, please see "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure and Restrictions on Our Industry."

Contractual Arrangements with Beijing 58

We have entered into contractual arrangements with Beijing 58 and its shareholders described below, which we refer to as the Beijing 58 Agreements. Through the Beijing 58 Agreements, we exercise control over the operations of Beijing 58 and receive substantially all its economic benefits and residual returns. Through the amended and restated exclusive business cooperation agreement between Beijing 58 and Wanglin, Wanglin agrees to provide certain technical and business support and related consulting services to Beijing 58 in exchange for service fees. In addition, pursuant to the amended and restated exclusive option agreement, Beijing 58 is prohibited from declaring and paying any dividends without Wanglin's prior consent and Wanglin enjoys an irrevocable and exclusive option to purchase Beijing 58 shareholders' equity interests, to the extent permitted by applicable PRC laws, at a nominal price from Beijing Wanglintong Information Technology Co., Ltd., or Beijing Wanglintong, which is one of the shareholders of Beijing 58, or at a specified price equal to the loan provided by Wanglin to the individual shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Through the arrangements, we can obtain all of Beijing 58's income and all of its residual interests, such as undistributed earnings, either through dividend distribution or purchase of Beijing 58's equity interests from its existing shareholders. As a result of the contractual arrangements, we consolidate Beijing 58's financial results in our consolidated financial statements in accordance with U.S. GAAP.

Exclusive Business Cooperation Agreement. Under the exclusive business cooperation agreement between Beijing 58 and Wanglin, as amended and restated, Wanglin has the exclusive right to provide, among other things, technical support and business support and related consulting services to Beijing 58 and Beijing 58 agrees to accept all the consultation and services provided by Wanglin. Without Wanglin's prior written consent, Beijing 58 is prohibited from engaging any third party to provide any of the services under this agreement. In addition, Wanglin exclusively owns all intellectual property rights arising out of or created during the performance of this agreement. Beijing 58 agrees to pay a quarterly service fee to Wanglin at an amount determined solely by Wanglin after taking into account factors including the complexity and difficulty of the services provided, the time consumed, the seniority of the Wanglin employees providing services to Beijing 58, the value of services provided, the market price of comparable services and the operating conditions of Beijing 58. This agreement will remain effective unless Wanglin terminates the agreement in writing or a competent governmental authority rejects the renewal applications by either Beijing 58 or Wanglin to renew its respective business license upon expiration. Beijing 58 is not permitted to terminate this agreement in any event unless required by applicable laws. In 2016, Wanglin provided technical support services to Beijing 58 and its subsidiaries and collected service fee payments of approximately RMB41.3 million.

Powers of Attorney. Pursuant to the powers of attorney, the shareholders of Beijing 58 each irrevocably appointed Wanglin as the attorney-in-fact to act on their behalf on all matters pertaining to Beijing 58 and to exercise all of their rights as a shareholder of Beijing 58, including but not limited to attend shareholders' meetings, vote on their behalf on all matters of Beijing 58 requiring shareholders' approval under PRC laws and regulations and the articles of association of Beijing 58, designate and appoint directors and senior management members. Wanglin may authorize or assign its rights under this appointment to any other person or entity at its sole discretion without prior notice to the shareholders of Beijing 58. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing 58.

Equity Interest Pledge Agreements. Under the equity interest pledge agreements between Wanglin, Beijing 58 and the shareholders of Beijing 58, as amended and restated, the shareholders pledged all of their equity interests in Beijing 58 to Wanglin to guarantee Beijing 58's and Beijing 58's shareholders' performance of their obligations under the contractual arrangements including, but not limited to, the payments due to Wanglin for services provided. If Beijing 58 or any of Beijing 58's shareholders breaches its contractual obligations under the contractual arrangements, Wanglin, as the pledgee, will be entitled to certain rights and entitlements, including receiving proceeds from the auction or sale of whole or part of the pledged equity interests of Beijing 58 in accordance with legal procedures. Wanglin has the right to receive dividends generated by the pledged equity interests during the term of the pledge. If any event of default as provided in the contractual arrangements occurs, Wanglin, as the pledgee, will be entitled to dispose of the pledged equity interests in accordance with PRC laws and regulations. The pledge will become effective on the date when the pledge of equity interests contemplated in these agreements are registered with the relevant local administration for industry and commerce and will remain binding until Beijing 58 and its shareholders discharges all their obligations under the contractual arrangements. We registered these equity interest pledge agreements with Chaoyang Branch of Beijing Administration for Industry and Commerce in July 2013.

Exclusive Option Agreements. Under the exclusive option agreements between Wanglin, as amended and restated, each of the shareholders of Beijing 58 and Beijing 58, each of the shareholders irrevocably granted Wanglin or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his, her or its equity interests in Beijing 58. In addition, Wanglin has the option to acquire all the equity interests of Beijing 58 for either a nominal price from Beijing Wanglintong or a specified price equal to the loan provided by Wanglin to the individual shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Wanglin or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Wanglin's prior written consent, Beijing 58's shareholders shall not transfer, donate, pledge, or otherwise dispose any equity interests in Beijing 58. These agreements will remain effective until all equity interests held in Beijing 58 by the Beijing 58's shareholders are transferred or assigned to Wanglin or Wanglin's designated representatives. At the moment, we cannot exercise the exclusive option to purchase the current shareholders' equity interests in Beijing 58 due to the PRC regulatory restrictions on foreign ownership in the value-added telecommunications services. We intend to exercise such option once China opens up these industries to foreign investment.

Loan Agreements. Pursuant to the loan agreements between Wanglin and each individual shareholder of Beijing 58, Wanglin provided interest-free loans with an aggregate amount of approximately RMB7.8 million to the individual shareholders of Wanglin for the sole purpose of funding the capital increase of Beijing 58. The loans can be repaid by transferring the individual shareholders' equity interest in Beijing 58 to Wanglin or its designated person pursuant to Exclusive Option Agreements. The term of each loan agreement is ten years from the date of the agreement expiring on December 1, 2021 and can be extended with the written consent of both parties before expiration.

Contractual Arrangements with Shanjing Kechuang

Ganji, through its PRC subsidiary, Beijing Yangguang Gudi Science Development Co., Ltd., or Yangguang Gudi, has entered into contractual arrangements with Shanjing Kechuang and its shareholders described below, which we refer to as the Shanjing Kechuang Agreements. Through the Shanjing Kechuang Agreements, Ganji exercises control over the operations of Shanjing Kechuang and receives substantially all its economic benefits and residual returns. Through the exclusive business cooperation agreement between Yangguang Gudi and Shanjing Kechuang, Yangguang Gudi agrees to provide certain technical and business support and related consulting services to Shanjing Kechuang in exchange for service fees. In addition, pursuant to the exclusive option agreements, Shanjing Kechuang is prohibited from declaring and paying any dividends without Yangguang Gudi's prior consent and Yangguang Gudi enjoys an irrevocable and exclusive option to purchase Shanjing Kechuang shareholders' equity interests, to the extent permitted by applicable PRC laws, at a specified price equal to the loan amount provided by Yangguang Gudi to the shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Through these arrangements, Ganji can obtain all of the income and the residual interests of Shanjing Kechuang, such as undistributed earnings, either through dividend distributions or purchase of equity interests of Shanjing Kechuang from its existing shareholders. As a result of the contractual arrangements, we, through Ganji, consolidate the financial results of Shanjing Kechuang in our consolidated financial statements in accordance with U.S. GAAP.

Exclusive Business Cooperation Agreement. The terms and arrangements of the exclusive business cooperation agreement between Yangguang Gudi and Shanjing Kechuang are substantially similar to those under the Beijing 58 Agreements. In 2016, Yangguang Gudi did not collect any service fee payments from Shanjing Kechuang.

Powers of Attorney. Each shareholder of Shanjing Kechuang has executed a power of attorney to irrevocably appoint Yangguang Gudi as the attorney-in-fact to act on the shareholder's behalf. The terms of the powers of attorney are substantially similar to those under the Beijing 58 Agreements.

Equity Interest Pledge Agreements. Yangguang Gudi, Shanjing Kechuang and each of the shareholders of Shanjing Kechuang have entered into equity interest pledge agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements. We registered these equity interest pledge agreements with Shunyi Branch of Beijing Administration for Industry and Commerce Bureau on March 18, 2016 for the three individual shareholders and April 1, 2016 for 58 Co., Ltd.

Exclusive Option Agreements. Yangguang Gudi, Shanjing Kechuang and each of the shareholders of Shanjing Kechuang have entered into exclusive option agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements. At the moment, Ganji cannot exercise the exclusive options to purchase the current shareholders' equity interests in Shanjing Kechuang due to the PRC regulatory restrictions on foreign ownership in the value-added telecommunications services. Ganji may exercise the options if China opens up these industries to foreign investment.

Loan Agreements. Yangguang Gudi and each shareholder of Shanjing Kechuang have entered into loan agreements with an aggregate amount of interest-free loans of approximately RMB38.7 million. The terms of the loan agreements are substantially similar to those under the Beijing 58 Agreements and each loan agreement expires on August 6, 2025 and can be extended with the written consent of both parties before expiration.

58 Home's Contractual Arrangements with Tianjin 58 Home

58 Home has through Beijing 58 Home entered into contractual arrangements with Tianjin 58 Home and its shareholders described below, which we refer to as the Tianjin 58 Home Agreements. Through the Tianjin 58 Home Agreements, Beijing 58 Home exercises control over the operations of Tianjin 58 Home and receives substantially all its economic benefits and residual returns. Through the exclusive business cooperation agreement between Beijing 58 Home and Tianjin 58 Home, Beijing 58 Home agrees to provide certain technical and business support and related consulting services to Tianjin 58 Home in exchange for service fees. In addition, pursuant to the exclusive option agreements, Tianjin 58 Home is prohibited from declaring and paying any dividends without Beijing 58 Home's prior consent and Beijing 58 Home enjoys an irrevocable and exclusive option to purchase Tianjin 58 Home shareholders' equity interests, to the extent permitted by applicable PRC laws, at a specified price equal to the loan amount provided by Beijing 58 Home to the shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Through these arrangements, 58 Home can obtain all of the income and the residual interests of Tianjin 58 Home, such as undistributed earnings, either through dividend distributions or purchase of equity interests of Tianjin 58 Home from its existing shareholders. As a result of the contractual arrangements, 58 Home consolidates the financial results of Tianjin 58 Home in accordance with U.S. GAAP. In July 2016, one shareholder and also employee of Tianjin 58 Home left Tianjin 58 Home and transferred his equity interest in Tianjin 58 Home to 58 Co., Ltd. As a result, Beijing 58 Home amended its contractual arrangements with Tianjin 58 Home to reflect the change in shareholding of Tianjin 58 Home. Beijing 58 Home continues to maintain the following contractual arrangements with Tianjin 58 Home.

Exclusive Business Cooperation Agreement. The terms and arrangements of the exclusive business cooperation agreement between Tianjin 58 Home and Beijing 58 Home under the Tianjin 58 Home Agreements are substantially similar to those under the Beijing 58 Agreements, except that Tianjin 58 Home agrees to pay a monthly service fee to Beijing 58 Home in an amount determined by both parties after taking into account factors similar to those provided under the Beijing 58 Agreements. Beijing 58 Home did not collect any service fee payments from Tianjin 58 Home in 2016.

Powers of Attorney. Each shareholder of Tianjin 58 Home has executed a power of attorney to irrevocably appoint Beijing 58 Home as the attorney-in-fact to act on the shareholder's behalf. The terms of the powers of attorney are substantially similar to those under the Beijing 58 Agreements.

Equity Interest Pledge Agreements. Beijing 58 Home, Tianjin 58 Home and each of the shareholders of Tianjin 58 Home have entered into equity interest pledge agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements. We registered these equity interest pledge agreements with the Tianjin Binhai New Area Market and Quality Supervision and Administration Bureau on September 8, 2015.

Exclusive Option Agreements. Beijing 58 Home, Tianjin 58 Home and each of the shareholders of Tianjin 58 Home have entered into exclusive option agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements, except that the purchase price to be paid by Beijing 58 Home to each shareholder by exercising its option to purchase all the equity interests held by the shareholder in Tianjin 58 Home equal to the loan amount provided by Beijing 58 Home to the shareholder. At the moment, 58 Home cannot exercise the exclusive options to purchase the current shareholders' equity interests in Tianjin 58 Home due to the PRC regulatory restrictions on foreign ownership in the value-added telecommunications services. 58 Home may exercise the options if China opens up these industries to foreign investment.

Loan Agreements. Beijing 58 Home and each shareholder of Tianjin 58 Home have entered into loan agreements with an aggregate amount of interest-free loans of approximately RMB100 million. The terms of the loan agreements are substantially similar to those under the Beijing 58 Agreements and each loan agreement expires on August 5, 2025 and can be extended with the written consent of both parties before expiration.

D. Property, Plants and Equipment

Our principal headquarter offices are located on 44,915 square meters of our purchased office space at Building 105 and Building 101, 10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing, China. In September 2014, we entered into an agreement with Beijing Electronics Zone Investment and Development Co., Ltd. to purchase 44,915 square meters of office space in Chaoyang District, Beijing, for RMB1.0 billion, to accommodate our business expansion and increase in headcount. Building 105 and Building 101 were ready for occupancy in October 2015 and August 2016, respectively. We purchased a smaller office space located in Tianjin with 29,823 square meters in 2015 and it was ready for occupancy in 2016. We also lease an additional 41,178 square meters office spaces in other locations in Beijing and Tianjin, China, excluding the office spaces for 58 Home. We maintain leased offices in 53 additional cities in China totaling 108,649 square meters, excluding those for 58 Home. We lease our premises from unrelated third parties under non-cancellable operating lease agreements. The leases typically have terms of one to eight years, some of which are due to expire during 2017 or 2018.

Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. The hosting services agreements typically have one-year terms and are renewed automatically upon expiration. We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion and analysis may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information — D. Risk Factors" or in other parts of this annual report on Form 20-F.

A. Operating Results

Overview

Our business is comprised principally of our online classifieds and listing platforms. Our online classifieds and listings platforms enable local merchants and consumers to connect, share information and conduct business in China. These platforms include 58, Ganji and Anjuke. 58 and Ganji are online multi-content category-classified advertising platforms, while Anjuke is an online real estate listing platform. We have consolidated Anjuke since March 2015 and Ganji since August 2015.

58 Home, a subsidiary that operates a mobile-based closed-loop transactional platform for home services, was de-consolidated from our consolidated financial results following its series A financing on November 27, 2015. After the de-consolidation, we treat 58 Home as an equity investee. Guazi, a subsidiary that operates our consumer-to-consumer (C2C) used car trading platform, was de-consolidated on December 31, 2015. As our investment in Guazi was accounted for using cost method, we did not recognize a proportionate share of the reported earnings or losses of Guazi for the years ended December 31, 2015 and 2016.

Our revenues are mainly generated from subscription-based merchant memberships and online marketing services on our online classifieds and listing platforms. The number of average quarterly paying membership accounts on our 58 platform was approximately 529,000 in 2014. As a result of consolidation of Anjuke and Ganji, the number of our average quarterly paying membership accounts on our 58, Ganji and Anjuke platforms increased significantly to approximately 1,306,000 in 2015 and 1,982,000 in 2016. We continue to make progress in upselling additional online marketing services, such as real time bidding services, to our merchant members.

The significant increase in our operating expenses in 2016 was driven by the organic growth on our 58 platform as well as the consolidation of Ganji's and Anjuke's financial results. Following the integration of 58 and Ganji, we anticipate less sequential growth in operating expenses and bigger improvements in the operating efficiency of our sales and customer service teams as well as the efficiency of advertising spending. We expect to continue to increase our investment in research and development for innovations and enhancement of our user experience and other areas necessary for the long-term value of our company.

Our revenues increased from RMB1.6 billion in 2014 to RMB4.5 billion in 2015 and further to RMB7.6 billion in 2016. The increase was driven by the increased revenues from consolidated businesses such as Ganji and Anjuke, as well as the organic growth of the 58 platform. We had net income of RMB139.4 million in 2014 and incurred a net loss of RMB1.6 billion in 2015 and a net loss of RMB773.0 million in 2016.

How We Generate Revenues

While many of our users browse and post information on our online platforms for free, we generate revenues from the following services:

Membership

A subscription-based membership is a basic service package consisting mainly of merchant certification, display of an online storefront on our platforms, preferential listing benefits such as daily priority listings and higher quota for daily listings, and access to our dedicated customer service support team and online account management system. Merchants who subscribe to a membership with us can enjoy more services and achieve more effective marketing than non-paying merchants on our platforms. 58, Ganji and Anjuke offer subscription-based merchant membership packages that include similar types of services, although the specific details of the services, such as the quotas for daily listings and downloadable resumes, may vary from platform to platform.

We offer memberships of varying lengths across different content categories. Memberships in the yellow pages and jobs categories are primarily 12-month packages. In China, due to relatively high employee turnover among migrant workers, many businesses have ongoing hiring needs. Memberships in the real estate category are primarily one- to three-month packages due to the higher turnover of real estate agents. We acquire the majority of our paying merchant members through our field direct sales teams. In cities where we do not have field direct sales teams on the ground, we work with sales agency companies to grow our paying merchant network locally. Our centralized and dedicated tele-customer service team supports our paying merchant members during their membership to enhance the effectiveness of their marketing efforts and improve the likelihood of membership renewal. A majority of our paying merchant members are small and medium-sized local merchants. We believe that our field sales, sales agency network and customer service teams have been effective in increasing the number of our paying merchant members, retaining high-quality existing paying merchant members and increasing spending by our existing paying merchant members, all of which are important to the growth of our revenues. We have also been developing interfaces for merchants to purchase and pay for subscription-based membership services online. See “Item 4. Information on the Company — B. Business Overview — Service offerings — Memberships” for details of the number of subscription-based paying membership accounts. See “Item 4. Information on the Company — B. Business Overview — Sales and Customer Services” for details of the sales and customer service teams operation.

Most paying merchant members pay their membership fees in advance. These advance payments are made to our field sales teams, sales agency companies or through other online interfaces and are recorded as customer advances and deposits. Once a member completes the purchase of membership, we deduct that amount from the customer advances and deposits account and record it as deferred revenues. Revenues are recognized ratably over the contract period for the membership services.

Online Marketing Services

Our online marketing services primarily include listing services, such as real-time bidding and priority listing, display advertising and marketing services through collaboration with third-party internet companies in China. All of our 58, Ganji and Anjuke platforms offer some forms of online marketing services. Online marketing services of 58 and Ganji are mainly listing services that customers purchase to enhance the exposure of their listings. Anjuke’s marketing services relate to both listing services for secondary real estate properties and advertising services for primary real estate properties. On average, approximately 54.1% of our quarterly paying membership accounts purchased our online marketing services in 2016.

Merchants can use our real-time bidding services to bid for the most prominent placement of their listings in specific categories and locations on a cost per click (CPC) basis. We have developed a user-friendly bidding system, through which merchants can create text- and graphic-based descriptions for their listings and bid on placements of their listings. We set minimum bidding prices which are based on metrics such as traffic and number of clicks generated by precedent placements. We generate much higher revenues than we otherwise could with the same amount of listing space by attracting more customers and monetize the traffic to their market value.

Merchants can also purchase our priority listing services, which place their listings below real-time bidding listings and above paying merchant members’ listings. Merchants can purchase listing placements of varying duration from several hours to several days to several weeks.

We provide display advertisement mainly for primary real estate developers on our Anjuke platform. The customers use these services to enhance their brand recognition and attract consumer attention to the primary real estate projects that are on the market. They can be text- or graphic-based displays for varying time periods ranging from several days to several months.

We collaborate with third-party internet companies by placing the marketing links of their marketing customers on the relevant listing pages on our online platforms. We generate revenues based on the number of clicks or cost-per-thousand impressions at pre-determined prices.

In most cases customers are required to make payment in advance before purchasing our online marketing services, in the form of purchasing virtual online currencies of our platforms. Paying merchant members can log into our account management webpage or mobile application and purchase various online marketing services through an easy-to-use interface. Our account management system enables paying merchant members to review and optimize the performance of their existing listings and to upload and market new listings.

Our field sales and customer service teams stay in regular contact with our customers and play an essential role in promoting our online marketing services to our paying merchant members. Leveraging our expertise in online marketing services, we help our paying merchant members to select the most suitable services to maximize their marketing effectiveness.

E-Commerce Services

We enter into promotional service agreements with real estate developers pursuant to which we are authorized to sell discount coupons with face value ranging from RMB2,000 to RMB100,000 to prospective home buyers. The home buyers are required to prepay the full face value of the coupon to us before they can use the coupon to purchase specified properties from the real estate developers at a discount significantly greater than the coupon value. The coupons purchased by prospective home buyers are refundable before a purchase of the specified properties prior to the expiry date of the coupon. We recognize revenues when home buyers apply the discount coupons to pay for the purchase price of the specified properties from real estate developers. Cash received in advance of the purchase of specified properties is recorded as customer advances.

Other Services

Revenues from other services are derived from various off-line services we provide. In 2014, revenues from other services were mainly derived from group buying services. We exited from the group buying services in second half 2014. In 2015, other services revenues were mainly contributed by Guazi C2C services and offline recruitment services. In 2016, other services were mainly contributed by offline recruitment services.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. Additionally, upon payments of dividends to our shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

We are exempted from income tax in the British Virgin Islands on our foreign-derived income. There are no withholding taxes in the British Virgin Islands.

Hong Kong

The operations in Hong Kong have incurred net accumulated operating losses for income tax purposes. The corporate income tax rate in Hong Kong is 16.5%.

PRC

Pursuant to the Enterprise Income Tax Law, foreign-invested enterprises and domestic companies are subject to enterprise income tax at a uniform rate of 25%. In addition, “high and new technology enterprises” will enjoy a preferential enterprise income tax rate of 15%. Beijing 58, our consolidated affiliated entity, is qualified as a “high and new technology enterprise” under the Enterprise Income Tax Law and is eligible for a preferential enterprise income tax rate of 15% for the period from 2009 to 2017, so long as it obtains approval from the relevant tax authority and if it is profitable during the period.

Beijing 58 Auto, one of our consolidated affiliated entities, is qualified as a “high and new technology enterprise” and is eligible for preferential enterprise income tax rate of 15% from 2013 to 2018, so long as it obtains approval from the relevant tax authority and maintains the “high and new technology enterprise” status and if it is profitable during that period.

Wanglin, one of our PRC subsidiaries, was qualified as a “high and new technology enterprise” from 2012 to 2017 and obtained its “software enterprise” status in July 2014. The local tax authority granted Wanglin a two-year tax holiday effective from January 1, 2014 followed by a three-year 50% tax rate reduction from January 1, 2016 to December 31, 2018. For the year ended December 31, 2014, Wanglin had taxable income and accrued approximately RMB38.1 million income tax expense. Wanglin paid approximately RMB7.3 million in income tax in 2014 and received a RMB7.3 million refund in the second half of 2015. Wanglin incurred loss and was not required to pay income tax in 2016.

Shanghai Ruiting, one of our PRC subsidiaries, was qualified as a “high and new technology enterprise” in 2010 and is eligible for preferential enterprise income tax rate of 15% from 2010 to 2018, so long as it obtains approval from the relevant tax authority and maintains the “high and new technology enterprise” status and if it is profitable during that period.

58 Technology, one of our PRC subsidiaries, was qualified as a “software enterprise” in December 2014. In March 2016, the local tax authority granted 58 Technology a two-year exemption followed by a three-year 50% reduction on its taxable income under the Enterprise Income Tax Law, effective retroactively from January 1, 2015.

Effective January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation launched a Business Tax to Value-Added Tax Transformation Pilot Program, or the VAT Pilot Program, which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions. According to the implementation circulars released by the Ministry of Finance and the State Administration of Taxation on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. In August 2013, the program was further expanded nationwide. With the adoption of the program, our revenues are subject to VAT. VAT payable on goods sold or taxable services provided by a general VAT taxpayer for a taxable period is the net balance of the output VAT for the period after crediting the input VAT for the period. Hence, the amount of VAT payable does not result directly from output VAT generated from goods sold or taxable services provided. Therefore, we have adopted the net presentation of VAT. From May 1, 2016, the program has been further expanded to cover all industries.

Critical Accounting Policies

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

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies, and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our consolidated financial statements. We believe that the following accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Consolidation

Our consolidated financial statements include the accounts of 58.com Inc. and its wholly-owned and majority owned subsidiaries and consolidated variable interest entities in which our company has a controlling financial interest. All intercompany transactions are eliminated.

Our variable interest entities are wholly or partially owned by certain of our employees as shareholders. For consolidated variable interest entities, our management made evaluations of our relationships with the variable interest entities and the economic benefit flow of contractual arrangements with the variable interest entities. In connection with such evaluation, we also take into account the fact that, as a result of such contractual arrangements, we control the shareholders' voting interests in these variable interest entities. As a result of such evaluation, we concluded that we are the primary beneficiary of these consolidated variable interest entities.

Deconsolidation

We deconsolidate our subsidiaries in accordance with ASC 810-10-40-4 as of the date we ceased to have a controlling financial interest in the subsidiaries.

We account for the deconsolidation of our subsidiaries by recognizing a gain or loss in net income/(loss) attributable to us in accordance with ASC 810-10-40-5. This gain or loss is measured at the date the subsidiaries are deconsolidated as the difference between (a) the aggregate of the fair value of any consideration received, the fair value of any retained noncontrolling interest in the subsidiaries being deconsolidated, and the carrying amount of any noncontrolling interest in the subsidiaries being deconsolidated, including any accumulated other comprehensive income/(loss) attributable to the noncontrolling interest, and (b) the carrying amount of the assets and liabilities of the subsidiaries being deconsolidated.

Business Combination, Noncontrolling Interests and Mezzanine Classified Noncontrolling Interests

We account for our business combinations using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805 "Business Combinations" ("ASC 805"). The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by us to the sellers and equity instruments issued. 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. 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 interests in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income/(loss). The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

During the measurement period, which can be up to one year from the acquisition date, we 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 operations.

In a business combination achieved in stages, we re-measure the previously held equity interests 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/(loss).

For our majority-owned subsidiaries and VIEs, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to us. When the noncontrolling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within our control, the noncontrolling interest is classified as mezzanine classified noncontrolling interest. Consolidated net income/(loss) on the consolidated income statements includes the net income/(loss) attributable to noncontrolling interests and mezzanine equity holders when applicable. The cumulative results of operations attributable to noncontrolling interests are also recorded as noncontrolling interests in our consolidated balance sheets. Cash flows related to transactions with noncontrolling interests are presented under financing activities in the consolidated statements of cash flows.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed of the acquired entity as a result of our acquisitions of interests in its subsidiaries and VIEs. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. We first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. 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, the quantitative impairment test is performed.

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 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 value 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.

We perform impairment tests in the fourth quarter of each year. No impairment loss was recognized for all periods presented.

Long-lived Assets

Intangible assets acquired through business acquisitions are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Purchased intangible assets and intangible assets arising from the acquisitions of subsidiaries and VIE subsidiaries are recognized and measured at fair value upon acquisition. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method. Separately identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets is based on the amount by which the carrying amount of the assets exceeds the fair value of the asset. Changes in these estimates and assumptions could materially impact our financial condition and results of operations.

Property and equipment are stated at cost less accumulated depreciation and impairment. Property and equipment are depreciated on a straight-line basis over the estimated useful lives, which is generally from 30 to 50 years for buildings and 3 to 5 years for the other properties and equipment. Judgment is required to determine the estimated useful lives, including determining how long existing properties and equipment can function and when new technologies will be introduced at cost-effective price points to replace existing equipment. Changes in these estimates and assumptions could materially impact our financial condition and results of operations. Expenditures for maintenance and repairs are expensed as incurred. The 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 income/(loss).

Long-term Investments

Long-term investments represent our investments in privately held companies. In accordance with ASC 323 "Investment-Equity Method and Joint Ventures", we apply the equity method of accounting to 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.

An investment in in-substance common stock is an investment that has risk and reward characteristics that are substantially similar to those involved in an investment in an entity's common stock. We consider 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.

Under the equity method, we initially record our investment at cost. The difference between the cost of the equity investment and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill or as an intangible asset as appropriate, which is included in the equity method investment on the consolidated balance sheets. We subsequently adjust the carrying amount of the investment and recognize our proportionate share of each equity investee's net income or loss as "share of results of equity investees" in the consolidated statements of comprehensive income/(loss) after the date of acquisition. When our share of losses in the equity investee equals or exceeds our interests in the equity investee, we do not recognize further losses, unless we have incurred obligations or made payments or guarantees on behalf of the equity investee.

For long-term investments in equity securities that are not accounted for using equity method of accounting and have no readily determinable fair value, the cost method accounting is used.

We assess our long-term investments accounted for using the cost method and equity method for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, which includes current earnings trends and undiscounted cash flows, and other company-specific information, such as recent rounds of financing. If any impairment is considered other-than-temporary, we will write down the asset to its fair value and take the corresponding charge to the consolidated statements of comprehensive income/(loss).

Revenue Recognition

We generate revenues primarily from membership, online marketing services and E-commerce services. We sell these services through our direct sales teams and third party sales agencies. Under the terms of the agreement with the sales agencies, the sales agencies remit to us a certain percentage of our listed sales price. We recognize revenue net of the amounts retained by the sales agencies because the sales agencies will offer discretionary discount to the customer. Additionally, we do not receive information from the sales agencies indicating the amount of such discounts offered to the customers or regarding the actual cash paid by the customers to the sales agencies. As such, we are unable to determine the gross amounts paid by the customers to the sales agencies. Accordingly, we believe that it is more appropriate to recognize revenue net of the amounts retained by the sales agencies. Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and collectability of the related fee is reasonably assured.

We have adopted the gross presentation for business tax and related surcharges pursuant to ASC 605-45, "Revenue Recognition: Principal Agent Considerations." The amount of business tax and related surcharges included in cost of revenues were RMB10.0 million, RMB23.1 million and RMB37.1 million for the years ended December 31, 2014, 2015 and 2016, respectively. Effective January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation launched the Value Added Tax Pilot Program for certain industries in certain regions. According to the implementation circulars released by the Ministry of Finance and the State Administration of Taxation on the Pilot Program, the "Modern Service Industries" includes research, development and technological services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. Subsidiaries in different regions were affected at different times as the program was rolled out. All of our entities were subject to the VAT Pilot Program as of December 31, 2016. With the adoption of the Pilot Program, our revenues are subject to VAT payable on goods sold or taxable labor services provided by a general VAT taxpayer for a taxable period. VAT payable is the net balance of the output VAT for the period after crediting the input VAT for the period. Hence, the amount of VAT payable does not result directly from output VAT generated from goods sold or taxable labor services provided. Accordingly, we have adopted the net presentation of VAT.

Membership. A membership is a basic services package mainly consisting of the following services: customer certification, display of an online storefront on our platforms, preferential listing benefits such as limited daily priority listings and higher quota for free daily listings and access to our dedicated customer service support team and online account management system. Membership revenues are recognized ratably over the contract period when membership services are provided.

Online marketing services. Our online marketing services include time-based services and performance-based services. Revenues from time-based services are recognized ratably over the service period. Revenues from performance-based services are recognized when the agreed performance criteria are achieved. For service arrangements that include multiple deliverables, revenues are allocated to each unit of accounting based on relative selling price of each unit of accounting according to the selling price hierarchy established by Accounting Standards Update (“ASU”) No. 2009-13. We use (a) vendor-specific objective evidence of selling price, if it exists, (b) otherwise, third-party evidence of selling price. If neither (a) nor (b) exists, we will use (c) the management’s best estimate of the selling price for that deliverable. Selling price is generally determined by vendor specific objective evidence.

E-commerce services. We enter into promotional service agreements with real estate developers pursuant to which we are authorized to sell discount coupons with face value ranging from RMB2,000 to RMB100,000 to prospective home buyers. The home buyers are required to prepay the full face value of the coupon to us before they can use the coupon to purchase specified properties from the real estate developers at a discount significantly greater than the coupon value. The coupons purchased by prospective home buyers are refundable before a purchase of the specified properties prior to the expiry date of the coupon. We recognize revenues when home buyers apply the discount coupons to pay for the purchase price of the specified properties from real estate developers. Cash received in advance of the purchase of specified properties is recorded as customer advances.

Other services. Other services mainly include offline recruitment services provided. We recognize other service revenue when the related services are rendered.

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 statement 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.

The guidance 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. Guidance was also provided 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. Significant judgment is required in evaluating our uncertain tax positions and determining its provision for income taxes. We recognize interests and penalties, if any, under accrued expenses and other current liabilities on our balance sheet and under other expenses in our statement of comprehensive income/(loss). We did not have any interest or penalties associated with tax positions as of December 31, 2014, 2015 and 2016. As of December 31, 2014, 2015 and 2016, we did not have any significant unrecognized uncertain tax positions.

In order to assess uncertain tax positions, we apply 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.

Share-Based Compensation

All share-based awards to employees and directors, including share options, restricted share units, or RSUs, and restricted shares are measured at the grant date based on the fair value of the awards. Share-based compensation, net of forfeitures, is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period.

Share options

We use the Binomial option pricing model to determine the fair value of share options. We account for share-based compensation expenses using an estimated forfeiture rate at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Share-based compensation expenses were recorded net of estimated forfeitures such that expense was recorded only for those share-based awards that are expected to vest. Historically, our share-based compensation expenses were relatively low.

We adopted an employee stock option plan in March 2010. We refer to this as the 2010 Plan. The maximum number of shares in respect of which share awards may be granted under the 2010 Plan is 20,173,225. The 2010 Plan will terminate automatically 10 years after its adoption, unless terminated earlier by our shareholders' approval.

We also adopted a share incentive plan in September 2013. We refer to this as the 2013 Plan. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2013 Plan was 2,800,000 shares as of the date of its adoption. The number of shares reserved for future issuances under the 2013 Plan will be increased by a number equal to 1.5% of the total number of outstanding shares on the last day of the immediately preceding calendar year, on the first day of each calendar year during the term of the 2013 Plan beginning in 2015, or such lesser number of ordinary shares as determined by our board of directors. In addition, in April 2015, in connection with our acquisition of a strategic stake in Ganji, we further increased such number of maximum aggregate number of shares which may be issued by an additional 7,000,000 ordinary shares, reserved for future grants. The annual general meeting of our shareholders held on December 17, 2015, further increased the maximum aggregate number of shares that may be issued pursuant to all awards under the 2013 Plan to a total of 13,686,128 ordinary shares (consisting of 6,686,128 Class A ordinary shares and 7,000,000 Class B ordinary shares), plus any applicable annual increase beginning in 2016. In 2016 and 2017, an annual increase of 4,246,030 and 4,345,065 ordinary shares, respectively, were added to the aggregate number of shares that may be issued pursuant to all awards under the 2013 Plan which increased the maximum aggregate number to 22,277,223.

58 Home adopted its 2015 Share Incentive Plan, which we refer to as the 58 Home 2015 Plan, in February 2015. The maximum aggregate number of shares which may be issued pursuant to all awards under the 58 Home 2015 Plan is 20,000,000 ordinary shares of 58 Home. In connection with the Series A round of equity financing closed on November 27, 2015, the maximum aggregate number of shares which may be issued under the 58 Home 2015 Plan was increased by 2,000,000 ordinary shares of 58 Home.

A summary of the share option grants under our 2010 Plan and 2013 Plan since January 1, 2014, is presented below (share and per share information is presented to give retroactive effect to the share splits that we have conducted so far).

	Number of Options Granted	Exercise Price	Fair Value of the Underlying Ordinary Shares as of the Grant Date			Intrinsic Value as of the Grant Date
			US\$	US\$	US\$	
February 27, 2014	138,200	15.950	12.060	21.000	5.05	
May 14, 2014	109,200	18.460	10.250	19.260	0.8	
June 25, 2014	217,000	20.000	12.440	22.950	2.95	
November 3, 2014	257,200	17.770	10.740	19.840	2.07	
February 27, 2015	201,600	18.675	12.060	20.840	2.165	
April 13, 2015	7,000	22.030	16.520	25.415	3.385	
May 22, 2015	1,600	38.140	24.850	39.555	1.415	
August 24, 2015	2,400	20.980	10.930	21.400	0.42	
August 24, 2015	1,426,000	20.980	12.010	21.400	0.42	

A summary of the share option grants under the 58 Home 2015 Plan since January 1, 2015 to November 27, 2015, the date on which 58 Home was deconsolidated from our consolidated results of operations, is presented below.

	Number of Options Granted	Exercise Price	Fair Value of the Options as of the Grant Date	Fair Value of the Underlying Ordinary Shares as of the Grant Date	Intrinsic Value as of the Grant Date
		US\$	US\$	US\$	US\$
February 10, 2015	2,000,000	0.010	0.170	0.176	0.166
February 10, 2015	2,671,000	0.100	0.120	0.176	0.076
February 10, 2015	1,700,000	0.170	0.110	0.176	0.006
February 10, 2015	1,400,000	0.170	0.100	0.176	0.006
April 1, 2015	1,000,000	0.170	0.270	0.200	0.030
April 30, 2015	150,000	0.170	0.250	0.200	0.030

We estimated the fair value of share options using the binominal option-pricing model with the assistance from an independent valuation firm.

The fair value of each option grant under the 2013 Plan is estimated on the date of grant with the following assumptions:

	Feb. 27, 2014	May 14, 2014	June 25, 2014	Nov. 3, 2014	May 22, 2015	Aug. 24, 2015	Feb. 27, Apr. 13, and
Expected volatility ⁽¹⁾	53.3%	52.8%	52.5%	50.8%	49.0%	48.5%	
Risk-free interest rate (per annum) ⁽²⁾	3.730%	3.170%	3.200%	3.010%	2.760%	2.670%	
Exercise multiple ⁽³⁾	2	2	2	2	2 or 2.8	2 or 2.8	
Expected dividend yield ⁽⁴⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Expected term (in years) ⁽⁵⁾	10	10	10	10	10	10	
Expected forfeiture rate (post-vesting) ⁽⁶⁾	0.4%	0.4%	0.4%	0.3%	0.25%	0.17%	

The fair value of each option grant under the 58 Home 2015 Plan before its deconsolidation was estimated on the date of grant with the following assumptions:

	Feb. 10, 2015	Apr. 1, 2015	Apr. 30, 2015
Expected volatility ⁽¹⁾	59.7%	59.4%	60.0%
Risk-free interest rate (per annum) ⁽²⁾	2.600%	2.460%	2.630%
Exercise multiple ⁽³⁾	2 or 2.8	2.8	2
Expected dividend yield ⁽⁴⁾	0.00%	0.00%	0.00%
Expected term (in years) ⁽⁵⁾	10	10	10
Expected forfeiture rate (post-vesting) ⁽⁶⁾	0.25%	0.25%	0.25%

Notes:

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

- (2) We estimated risk-free interest rate based on the yield to maturity of US\$ denominated Chinese Government bonds with a maturity similar to the expected expiry of the term.
- (3) The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of research study regarding exercise pattern based on historical statistical data.
- (4) Expected dividend yield: We have never declared or paid any cash dividends on our capital stock, and we do not anticipate any dividend payments on our ordinary shares in the foreseeable future.
- (5) Expected term (in years): Expected term is the contract life of the option.
- (6) Expected forfeiture rate (post-vesting): Estimated based on historical employee turnover rate after each option grant.

Determining the fair value of our ordinary shares required us to make complex and subjective judgments, assumptions and estimates, which involved inherent uncertainty. Had our management used different assumptions and estimates, the resulting fair value of our ordinary shares and the resulting share-based compensation expenses could have been different.

Restricted share units

RSUs issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the straight-line vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of RSUs was based on the fair value of our underlying ordinary shares on the grant date. We granted no RSUs prior to 2014.

The following table sets forth certain information regarding the RSUs granted to our employees since January 1, 2014, with share and per share information.

	Number of RSUs Granted	Fair Value per Ordinary Share as of the Grant Date	Type/Methodology of Valuation
		US\$	
February 27, 2014	59,400	21.000	Contemporaneous/ Stock Price (1)
May 14, 2014	113,800	19.260	Contemporaneous/ Stock Price (1)
June 25, 2014	383,000	22.950	Contemporaneous/ Stock Price (1)
November 3, 2014	392,400	19.840	Contemporaneous/ Stock Price (1)
February 27, 2015	392,308	20.840	Contemporaneous/ Stock Price (1)
April 13, 2015	432,000	25.415	Contemporaneous/ Stock Price (1)
May 22, 2015	143,986	39.555	Contemporaneous/ Stock Price (1)
August 6, 2015	1,050,578	28.570	Contemporaneous/ Stock Price (1)
August 24, 2015	3,427,590	21.400	Contemporaneous/ Stock Price (1)
November 23, 2015	225,598	26.530	Contemporaneous/ Stock Price (1)
February 22, 2016	152,240	28.065	Contemporaneous/ Stock Price (1)
May 18, 2016	468,926	25.080	Contemporaneous/ Stock Price (1)
September 21, 2016	2,394,600	24.680	Contemporaneous/ Stock Price (1)
October 1, 2016	482,356	23.830	Contemporaneous/ Stock Price (1)
November 9, 2016	99,600	20.100	Contemporaneous/ Stock Price (1)

Note:

- (1) The fair values of restricted share units are based on stock price of our company on grant dates.

In March 2015, in connection with our acquisition of Anjuke, we issued 248,216 fully vested RSUs of our company to former Anjuke employees as part of the share consideration. In August 2015, in connection with our strategic investment in Ganji, we issued approximately 4,449,002 fully vested RSUs of our company to former Ganji employees as part of the share consideration.

In February 2017, our board of directors approved the grant of 1.3 million restricted share units to employees of our company under the 2013 Plan.

Restricted shares of 58 Home

In February 2015, 58 Home granted 9,100,000 restricted shares to selected management members of 58 Home. In April 2015, 58 Home further granted 1,880,000 restricted shares to an executive officer of our company. All these restricted shares were granted under the 58 Home 2015 Plan and were fully vested on the respective grant dates. The foregoing disclosure of awards by 58 Home under its 2015 Plan only relates to the period prior to November 27, 2015, when 58 Home was deconsolidated from our consolidated financial results.

Recent Accounting Pronouncements

In May 2014, the FASB issued 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 publicly-traded business entities that follow U.S. GAAP, the deferral results in the new revenue standards’ being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016. We will apply the new revenue standard under the modified retrospective approach, effective January 1, 2018. The cumulative effect of initially applying the guidance will be recognized at the date of initial application. We are currently in the process of analyzing revenue recognition in accordance with the new revenue standard to determine the impact on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes”, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We are currently evaluating the impacts the adoption of this update will have on its consolidated financial statements as current deferred tax assets were approximately RMB609,000 and non-current deferred tax liabilities were RMB373.8 million as of December 31, 2016.

In January 2016, the FASB issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities”, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The guidance will be effective for the fiscal year beginning after December 15, 2017, including interim periods within that year. We are in the process of evaluating the impacts the adoption of this update will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”, which amends the existing accounting standards for lease accounting. For operating leases, ASU No. 2016-02 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 with terms of more than twelve months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. 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. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently assessing the potential effects the adoption of this update may have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation—Stock Compensation (Topic 718),” which intends to improve the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows; (d) accounting for forfeitures of share-based payments. This standard will be effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. We are currently assessing the potential effects the adoption of this update may have on our consolidated financial statements and related disclosures.

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. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under other-than-temporary impairment model. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact that the adoption of this update will have on our consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments,” which addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact that the adoption of this update will have on our consolidated financial statements and related disclosures.

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 amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods 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. We are currently evaluating the impact that the adoption of this update will have on our consolidated financial statements.

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. Public business entities should apply the amendments in this Update to annual periods beginning after December 15, 2017, including interim periods within those periods. Early application of the amendments in this Update is allowed as follows: 1. For transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance; 2. For transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The standard should be applied prospectively on or after the effective date. We will evaluate the impact of adopting this standard prospectively upon any transactions of acquisitions or disposals of assets or businesses.

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. We are currently evaluating the impact the adoption of this update will have on our consolidated financial statements.

Results of Operations

The following table sets forth our consolidated results of operations for the periods indicated. Our business has experienced rapid growth since inception. We expect our growth to continue as we grow our user base and explore new market opportunities. However, due to our limited operating history, our historical growth rate may not be indicative of our future performance. Therefore, we believe that period-to-period comparison of our results of operation should not be relied upon as indicative of future performance.

We have consolidated Anjuke since March 2015 and Ganji since August 2015.

58 Home, a subsidiary that operates a mobile-based transactional platform for home services, was de-consolidated from our consolidated financial results following its series A financing on November 27, 2015. Since then, we pick up 58 Home's losses in the investment income and loss line based on our ordinary share ownership percentage. Guazi, a subsidiary that operates our C2C used car trading platform, was de-consolidated on December 31, 2015. As our investment in Guazi was accounted for using cost method, we did not recognize a proportionate share of the reported earnings or losses of Guazi for the years ended December 31, 2015 and 2016. Prior to the dates when these businesses were de-consolidated, their financial results were part of our consolidated financial results.

	For the Year Ended December 31,		
	2014	2015	2016
	RMB	RMB	RMB
Revenues	1,628,120	4,478,098	7,592,127
Cost of revenues ⁽¹⁾	(85,081)	(322,016)	(707,237)
Gross profit	1,543,039	4,156,082	6,884,890
Operating expenses ⁽¹⁾ :			
Sales and marketing expenses	(1,106,689)	(4,316,217)	(4,941,380)
Research and development expenses	(268,336)	(760,796)	(1,107,897)
General and administrative expenses	(126,709)	(659,284)	(601,906)
Total operating expenses	(1,501,734)	(5,736,297)	(6,651,183)
Income/(loss) from operations	41,305	(1,580,215)	233,707
Other income/(expenses), net	136,216	(117,154)	(1,057,650)
Income/(loss) before tax	177,521	(1,697,369)	(823,943)
Income taxes benefits/(expenses)	(38,088)	48,786	50,980
Net income/(loss)	139,433	(1,648,583)	(72,963)

Note:

(1) Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,		
	2014	2015	2016
	RMB	RMB	RMB
Cost of revenues	109	760	490
Sales and marketing expenses	8,579	44,049	59,017
Research and development expenses	14,772	59,314	98,515
General and administrative expenses	14,473	72,482	108,553
Total	37,933	176,605	266,575

The following table sets forth the results of operations for the periods indicated, as percentages of revenues.

	For the Year Ended December 31,		
	2014	2015	2016
	(% of revenues)		
Revenues	100.0%	100.0%	100.0%
Cost of revenues	(5.2)	(7.2)	(9.3)
Gross profit	94.8	92.8	90.7
Operating expenses:			
Sales and marketing expenses	(68.0)	(96.4)	(65.1)
Research and development expenses	(16.5)	(17.0)	(14.6)
General and administrative expenses	(7.8)	(14.7)	(7.9)
Total operating expenses	(92.3)	(128.1)	(87.6)
Income/(loss) from operations	2.5	(35.3)	3.1
Other income/(expenses), net	8.4	(2.7)	(13.9)
Income/(loss) before tax	10.9	(38.0)	(10.8)
Income taxes benefits/(expenses)	(2.3)	1.1	0.6
Net income/(loss)	8.6	(36.9)	(10.2)

Comparison of the Years Ended December 31, 2014, 2015 and 2016

Revenues

The following table sets forth the principal components of our revenues, both as absolute amounts and as percentages of total revenues, for the periods indicated.

	For the Year Ended December 31,					
	2014		2015		2016	
	RMB	% of revenues	RMB	% of revenues	RMB	% of revenues
(in thousands, except for % data)						
Membership	857,017	52.6	1,859,987	41.6	2,951,135	425,419
Online marketing services	768,316	47.2	2,414,906	53.9	4,363,777	629,058
E-commerce services	—	—	144,930	3.2	166,753	24,038
Other services	2,787	0.2	58,275	1.3	110,462	15,924
Total revenues	1,628,120	100.0	4,478,098	100.0	7,592,127	1,094,439
						100.0

Membership

Membership revenues were RMB857.0 million, RMB1.9 billion and RMB3.0 billion, representing 52.6%, 41.6% and 38.9% of revenues in 2014, 2015 and 2016, respectively. The increase in our membership revenues was primarily attributable to the increase in the number of our paying merchant members, as a result of our stronger focus on acquiring and serving paying merchant members. The number of average quarterly paying membership accounts on our 58 platform was approximately 529,000 in 2014. As a result of the Anjuke and Ganji transactions, the number of our average quarterly paying membership accounts on our 58, Ganji and Anjuke platforms increased significantly to approximately 1,306,000 in 2015 and 1,982,000 in 2016. See "Item 4. Information on the Company — B. Business Overview — Service offerings – Memberships" for details of subscription-based paying membership accounts. We expect our membership revenues will continue to grow as we continue to expand our paying merchant member base in the existing and new cities. Our field sales teams, who cover 45 cities for different content categories, and our sales agency network, who cover another approximately 360 cities, will continue to attract new paying merchant members. Our dedicated customer service team will continue to contribute to membership revenues by retaining existing merchants through helping them to optimize their marketing effectiveness.

2016 compared to 2015. Our membership revenues increased from RMB1.9 billion in 2015 to RMB3.0 billion in 2016, representing an increase of 58.7%. The increase was driven by an increase in the number of paying membership accounts. On our 58, Ganji and Anjuke platforms, the increase in membership revenues was primarily due to the increase in average quarterly paying membership accounts from approximately 1,306,000 in 2015 to approximately 1,982,000 in 2016. We experienced significant growth across multiple content categories, particularly in our real estate and jobs categories, in 2015 and 2016. Subsequent to the Ganji transaction, we reduced discounts for both brands, which contributed to the increase in net price of membership across all categories. We also raised listing prices for real estate membership packages as our traffic grow rapidly and real estate market sentiment was overall positive throughout most of 2016.

2015 compared to 2014. Our membership revenues increased from RMB857.0 million in 2014 to RMB1.9 million in 2015, representing an increase of 117.0%. The increase was driven by the addition of revenues from Ganji and Anjuke as well as the organic growth of our 58 platform. On our 58, Ganji and Anjuke platforms, the increase in membership revenues was primarily due to the increase in average quarterly paying membership accounts from approximately 529,000 in 2014 to approximately 1,306,000 in 2015. We experienced significant growth across multiple content categories, particularly in our real estate and jobs categories, in 2014 and 2015. We did not experience significant price increases for the membership packages during the same periods.

Online Marketing Services

Revenues from online marketing services were RMB768.3 million, RMB2.4 billion and RMB4.4 billion, representing 47.2%, 53.9% and 57.5% of our revenues in 2014, 2015 and 2016, respectively. Although online marketing services are available to all merchants, the members who have purchased the subscription-based membership services contributed the majority of our online marketing services revenues. In addition, we continue to enhance our ability to more efficiently monetize our substantial traffic. For instance, in early 2015, we upgraded our real-time bidding system from a time-based (daily) bidding to click-based bidding (CPC), which allows merchants to bid more extensively on our platforms. This also enables us to generate higher revenues from the same amount of listings. In 2016, in some categories, the platforms set fixed CPC price that is subject to regular reviews and adjustment, instead of a dynamic bidding pricing system. We made decisions as to which bidding system should be used based on our experience and knowhow about each specific content category. These services have continued to attract more merchants and increase average spending per merchant. We expect our online marketing services will continue to grow as we further develop the paying merchant network, diversify our services and increase the marketing effectiveness and engagement of our customers.

2016 compared to 2015. Our online marketing services revenues increased from RMB2.4 billion in 2015 to RMB4.4 billion in 2016, representing an increase of 80.7%. The increase was mostly driven by increased revenues from Ganji and Anjuke, as well as the organic growth of our 58 platform. The increase of our subscription-based paying merchant members, increased traffic and more diversified products help grow the online marketing services revenues.

2015 compared to 2014. Our online marketing services revenues increased from RMB768.3 million in 2014 to RMB2.4 billion in 2015, representing an increase of 214.3%. The increase was mostly driven by the organic growth of our 58 platform, as well as the consolidation of Ganji's and Anjuke's financial results. The newly consolidated Ganji and Anjuke platforms also have online marketing services, but a lower percentage of their paying customers purchase bidding services due to their lack of experience in this area. We have been working to transfer the requisite knowledge and systems to the Ganji and Anjuke platforms.

E-commerce Services

Revenues from e-commerce services were RMB144.9 million and RMB166.8 million, representing approximately 3.2% and 2.2% of our revenues in 2015 and 2016, respectively, all of which was contributed by the Anjuke business that we acquired in March 2015. It mainly related to our sale of discount coupons for primary real estate projects.

Other Services

Revenues from other services were RMB2.8 million, RMB58.3 million and RMB110.5 million, representing approximately 0.2%, 1.3% and 1.4% of our revenues in 2014, 2015 and 2016, respectively. In 2014, revenues from other services mainly related to group buying services. We exited from the group buying services in the second half of 2014. In 2015, revenues from other services mainly related to Guazi C2C services and offline recruitment services. In 2016, revenues from other services mainly related to offline recruitment services.

Cost of Revenues

Cost of revenues consists primarily of bandwidth costs, rental costs, equipment depreciation associated with website operation, and salaries, benefits and share-based compensation for our personnel responsible for website maintenance and operation. It also includes the traffic acquisition costs (TAC) paid to our advertising union partners who displayed our merchants' marketing information on their websites or mobile applications. We expect that our cost of revenues will increase in absolute amounts as we further grow our user base and expand our revenue-generating services. For the share-based compensation charges included in cost of revenues, see "— Critical Accounting Policies — Share-Based Compensation" for more information.

2016 compared to 2015. Our cost of revenues was RMB707.2 million in 2016, an increase of 119.6% from RMB322.0 million in 2015. The increase in cost of revenues was primarily driven by increased TAC paid to our 58 platform's advertising union partners as well as other types of website maintenance-related costs such as short message service (SMS) costs, bandwidth fees and depreciation expenses.

2015 compared to 2014. Our cost of revenues was RMB322.0 million in 2015, an increase of 278.5% from RMB85.1 million in 2014. The increase in cost of revenues was primarily driven by our consolidation of Ganji's and Anjuke's financial results, the organic growth of our 58 platform and an increase in traffic acquisition costs paid to our 58 platform's advertising union partners, as well as other types of PC and mobile platform maintenance related costs such as SMS costs, bandwidth fees and depreciation expenses.

Gross Profit

We expect our gross profit to increase as our revenues grow. The following table sets forth our gross profit and gross margin for the periods indicated.

	For the Year Ended December 31,		
	2014	2015	2016
	RMB	RMB	RMB
(in thousands, except for % data)			
Gross profit	1,543,039	4,156,082	6,884,890
Gross margin	94.8%	92.8%	90.7%
			90.7%

2016 compared to 2015. Our gross profit increased from RMB4.2 billion in 2015 to RMB6.9 billion in 2016, representing an increase of 65.7%. The increase in gross profit was primarily attributable to the significant increase in membership revenues as well as online marketing services revenues from our core classified business and the consolidation of financial results of Ganji and Anjuke. Gross margin decreased from 92.8% to 90.7% during the same period. The decrease in gross margin was primarily due to the increase in TAC paid to our 58 platform's advertising union partners.

2015 compared to 2014. Our gross profit increased from RMB1.5 billion in 2014 to RMB4.2 billion in 2015, representing an increase of 169.3%. The increase in gross profit was primarily attributable to the significant increase in membership revenues as well as online marketing services revenues from our core classified business and the consolidation of financial results of Ganji and Anjuke. Gross margin decreased from 94.8% to 92.8% during the same period. The decrease in gross margin was primarily due to the growth of our advertising union business, which has a lower gross margin than our core classifieds business.

Operating Expenses

Our operating expenses consist of sales and marketing expenses, research and development expenses and general and administrative expenses. The following table sets forth our operating expenses, both as absolute amounts and as percentages of our revenues, for the periods indicated.

	For the Year Ended December 31,						
	2014	2015	2016				
	RMB	% of revenues	RMB	% of revenues	RMB	US\$	% of revenues
(in thousands, except for % data)							
Sales and marketing expenses	1,106,689	68.0	4,316,217	96.4	4,941,380	712,322	65.1
Research and development expenses	268,336	16.5	760,796	17.0	1,107,897	159,708	14.6
General and administrative expenses	126,709	7.8	659,284	14.7	601,906	86,767	7.9
Total operating expenses	<u>1,501,734</u>	<u>92.3</u>	<u>5,736,297</u>	<u>128.1</u>	<u>6,651,183</u>	<u>958,797</u>	<u>87.6</u>

Our sales and marketing expenses, research and development expenses and general and administrative expenses include share-based compensation charges. See “— Critical Accounting Policies — Share-Based Compensation” for more information.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of offline brand advertising, PC and mobile traffic acquisition expenses, salaries, benefits, commissions and share-based compensation for our sales, sales support, customer service and marketing personnel, promotion expenses and other operating expenses that are associated with sales and marketing activities.

The following table sets forth our advertising expenses, sales and marketing expenses excluding advertising expenses and total sales and marketing expenses, both as absolute amounts and as percentages of our revenues, for the periods indicated.

	For the Year Ended December 31,					
	2014		2015		2016	
	RMB	% of revenues	RMB	% of revenues	RMB	% of revenues
Advertising expenses	451,172	27.7	1,811,852	40.5	2,040,020	294,078
Sales and marketing expenses			(in thousands, except for % data)			
excluding advertising expenses	655,517	40.3	2,504,365	55.9	2,901,360	418,244
Total sales and marketing expenses	1,106,689	68.0	4,316,217	96.4	4,941,380	712,322

In 2014, in order to grow user base and compete with Ganji, our advertising expenses grew rapidly as compared to previous years. Since the consolidation of Ganji in August 2015, as competition in online classifieds space subsided, we have been reducing our advertising spending on various platforms and trying to optimize the efficiency of this spending. However, we continue to maintain a reasonable level of advertising investment in areas where we still see user growth or promising new models such as Guazi, a consumer to consumer used car trading platform, and Zhuan Zhuan (“转转”) especially during the initial brand launch stage. During 2016, we also invested in traffic acquisition for our Anjuke platform to gain greater market share while the underlying real estate market continued to remain strong until the end of the third quarter. See “Item 4. Information on the Company — B. Business Overview — Market and Brand Promotion” for details of the operation.

Similarly, during 2014 and the period until our consolidation of Ganji, in order to grow paying merchant base and revenues and to compete with Ganji, the headcount of our sales and service teams grew rapidly, which contributed to the rapid increase of the sales and marketing expenses excluding advertising expenses during that period. Since the consolidation of Ganji in August 2015, as competition in online classifieds space subsided, we have been exercising tighter control on sales and services headcount increase and focusing more on providing better tools and management guidance to optimize the efficiency of the teams. However, we continue to invest in areas where we anticipate satisfactory return on our sales and services investment. For example, in Anjuke we have seen market share gains against competitors while the underlying real estate market continued to remain strong until the end of the third quarter. See “Item 4. Information on the Company — B. Business Overview — Sales and Customer Service” for details of the operation.

Expenses related to Anjuke in 2015 only included the period from March 2015 to the end of the year and expenses related to Ganji in 2015 only included the period from August 2015 to the end of the year. During the initial launch phase of 58 Home's business, we provided subsidies to the individual service providers on the 58 Home platform. After the de-consolidation of 58 Home in November 2015, its expense were no longer included in our consolidated expenses. The advertising expenses charged by Tencent, a related party of our company, amounted to RMB9.1 million, RMB 152.1 million and RMB351.1 million for the years ended December 31, 2014, 2015 and 2016, respectively.

We expect that our sales and marketing expenses will increase going forward as we continue to see opportunities in attracting more users, particularly on mobile internet, and merchants through our advertising campaign and sales and customer service teams. We also expect to continue to improve the efficiency of these investments.

2016 compared to 2015. Our sales and marketing expenses increased from RMB4.3 billion in 2015 to RMB4.9 billion in 2016, representing an increase of 14.5%. Our advertising expenses increased from RMB1.8 billion in 2015 to RMB2.0 billion in 2016, representing an increase of 12.6%. The increase in advertising expense was primarily a result of increase from the consolidation of Anjuke's financial results since March 2015 and Ganji's financial results since August 2015, which was partially offset by the deconsolidation of Guazi since December 2015. The advertising expenses for our 58 brand in 2016 was less than that in 2015, but we allocated advertising expenses to newly launched ChinaHR and Zhuan Zhuan ("转转"). Our other sales and marketing expenses increased from RMB2.5 billion in 2015 to RMB2.9 billion in 2016, representing an increase of 15.9%. The increase in other sales and marketing expenses was primarily a result of the consolidation of Anjuke's financial results since March 2015 and Ganji's financial results since August 2015, which was partially offset by the deconsolidation of 58 Home since November 2015. The increase in other sales and marketing expenses was also driven by a modest increase of sales and service headcount and sales commissions and local marketing expenses associated with increased revenues.

2015 compared to 2014. Our sales and marketing expenses increased from RMB1.1 billion in 2014 to RMB4.3 billion in 2015, representing an increase of 290.0%. Our advertising expenses increased from RMB451.2 million in 2014 to RMB1.8 billion in 2015, representing an increase of 301.6%. The increase in advertising expense was primarily a result of increase from the consolidation of Ganji's and Anjuke's financial results. Within Ganji's financial results, Guazi contributed more of the increase in advertising expenses than Ganji's own core classifieds business. We also stepped up Anjuke's advertising expenses after the acquisition along with what we perceived as the recovering China real estate market. The increase in advertising expenses for our 58 platform in response to increasing competition was also very significant, especially during the first half of 2015, but following the consolidation of Ganji that took place in August 2015, the expenses have been scaled back. The increase in other sales and marketing expenses excluding advertising expenses was driven by both the consolidation of Ganji's and Anjuke's financial results and the organic growth of our 58 platform. The increase associated with the 58 platform was attributable to subsidies paid to service providers on the 58 Home platform, as well as increased salaries, benefits and commissions as a result of the increased headcount of sales and marketing personnel in response to increased competition with Ganji prior to our consolidation of Ganji.

Research and Development Expenses

Research and development expenses mainly consist of salaries, benefits and share-based compensation for product development and engineering personnel and other operating expenses such as rental and depreciation of equipment that are associated with product development and engineering activities. We expect our research and development expenses to increase as we intend to hire additional research and development personnel to develop new features, applications and services for our online platforms and further improve our technologies and infrastructure. See "Item 4. Information on the Company — B. Business Overview — Technology" for details of the technology aspect of the business.

2016 compared to 2015. Research and development expenses increased from RMB760.8 million in 2015 to RMB1.1 billion in 2016, representing an increase of 45.6%. The increase was primarily a result of the consolidation of Anjuke's financial results since March 2015 and Ganji's financial results since August 2015 and the organic increase of research and development expenses associated with our 58 platform. The increase was also attributable to increased costs associated with the hiring of additional research and development personnel for the development of new features and services.

2015 compared to 2014. Research and development expenses increased from RMB268.3 million in 2014 to RMB760.8 million in 2015, representing an increase of 183.5%. The increase was primarily due to an increase in research and development expenses associated with our 58 platform, as well as those from our Ganji and Anjuke platforms. The increase was also attributable to increased costs associated with the hiring of additional research and development personnel for the development of new features and services.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, benefits and share-based compensation for our general and administrative personnel, general office expenses and fees and expenses for third-party professional services. We expect our general and administrative expenses to increase in the future as our business grows.

2016 compared to 2015. Our general and administrative expenses decreased from RMB659.3 million in 2015 to RMB601.9 million in 2016, representing a decrease of 8.7%. This decrease was primarily due to financial advisory and professional service fees incurred in connection with the strategic investment in Ganji and RMB77.3 million in compensation to noncontrolling shareholders resulting from a waiver of receivables from 58 Home in 2015, which was partially offset by increases in share-based compensation expenses, administrative staff salaries and benefits, and depreciation and amortization expenses in 2016.

2015 compared to 2014. Our general and administrative expenses increased from RMB126.7 million in 2014 to RMB659.3 million in 2015, representing an increase of 420.3%. This increase was primarily due to share-based compensation expenses and approximately RMB216.5 million in professional fees associated with our strategic investment in Ganji in 2015. The increase was also partially due to an increase in the number of support staff hired to support the expansion of our sales teams in 2015.

Seasonality

Our results of operations are subject to seasonal fluctuations. For example, our revenues are typically lower during the holidays in China, particularly during the Chinese New Year period, which occurs in the first quarter of the year. Many businesses are either closed or substantially reduce their activities, including hiring and marketing, during the Chinese New Year holiday. However, we typically concentrate brand advertising in the first quarter of the year, especially during and after the Chinese New Year period, as advertisers seek to reach a broader audience during the holiday season. Aside from the impact of seasonality on the first quarter, certain business activities such as recruitment tend to slow down towards the year end, which might impact our revenues in the fourth quarter of the year. In real estate category, while we increase our market share in online marketing, government policies that either loosen or tighten the real estate market might impact our customer transactions volume, which will in turn indirectly impact their marketing investment on our platforms. Historically, seasonality has not been readily apparent in our results of operations due to the rapid growth in revenues that we experienced in recent years and also the multiple sources of our revenues from different content categories, but we may experience reductions in growth on a successive quarter basis due to these seasonal factors or other factors.

Our results of operations for the first quarter of 2017 may be affected by similar trends and key factors that affected our previous first quarters in the past. For the first quarter of 2017, we expect to experience similar seasonal impact on our estimated revenues and incur increased sales and marketing expenses due to marketing campaigns conducted during this period.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2014, 2015 and 2016 were increases of 1.5%, 1.6% and 2.1%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China. For example, certain operating costs and expenses such as employee compensation and office operating expenses may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents, term deposits and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.

Impact of Foreign Currency Fluctuation

See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk — Foreign Exchange Risk.”

Impact of Governmental Policies

See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China” and “Item 4. Information on the Company — B. Business Overview — Regulation.”

B. Liquidity and Capital Resources

Cash Flows and Working Capital

Our principal sources of liquidity have been financing activities and operating activities.

Our financing activities include issuance of shares and various loan borrowings from commercial banks and Tencent. In November 2013, we raised an aggregate of approximately US\$215.0 million in net proceeds from our initial public offering and concurrent private placement. In April 2014, we raised an additional US\$73.0 million from a follow-on public offering of ADSs by us and certain selling shareholders. In June 2014, Tencent invested US\$736.1 million in our company, of which we used US\$552.1 million to repurchase our ordinary shares from certain pre-IPO shareholders. In April 2015, Tencent purchased an additional US\$400.0 million of newly issued ordinary shares from us. In July 2015, we obtained a loan from Tencent in an aggregate principal amount of US\$400.0 million. In December 2015, we and Tencent entered into an amendment to the loan agreement, pursuant to which we issued approximately 4.3 million Class A ordinary shares to Tencent and the principal amount of the loan under the loan agreement was reduced to US\$275 million. Our bank borrowings included a loan of US\$275.0 million obtained in April 2016 from China Merchants Bank Co., Ltd., or CMB Bank, which was secured by 12.4 million Class B ordinary shares personally owned by Mr. Jinbo Yao, the chief executive officer of our company, and used the proceeds from this loan to repay our amended loan from Tencent. We have fully repaid this US\$275.0 million loan from CMB Bank as of the date of this annual report. Additionally, in November 2015, 58 Home raised US\$300.0 million in a Series A equity funding round, of which US\$10.0 million was contributed by 58.com Inc.

We had net cash provided by operating activities of RMB606.7 million, RMB198.5 million and RMB1.9 billion in 2014, 2015 and 2016, respectively. The increase in net cash provided by operating activities in 2016 was primarily contributed by increased revenues and improved cost control after Anjuke’s and Ganji’s businesses were fully integrated into our own.

As of December 31, 2016, we had cash and cash equivalents, term deposits and short-term investments totaling RMB2.1 billion. These included (i) RMB1.2 billion in cash and cash equivalents, which primarily consisted of cash, demand deposits and highly liquid investments placed with banks or other financial institutions that have original maturities of three months or less, (ii) RMB26.4 million in term deposits, placed with banks with terms longer than three months but shorter than or equal to one year and (iii) RMB833.5 million in short-term investments, placed with banks with terms shorter than three months. As of December 31, 2016, our current liabilities exceeded our current assets by RMB2.8 billion, and we had an accumulated deficit of RMB3.1 billion. For the year ended December 31, 2016, we had a net loss attributable to 58.com of RMB783.8 million. Our ability to continue as a going concern is dependent on our ability to successfully execute our business plan, which includes increasing revenues while controlling operating expenses, as well as generating cash flows from operating activities. We believe our current cash and cash equivalents and anticipated cash flow from operations provide sufficient funds to meet the working capital requirements to fund planned operations and other commitments for at least the next twelve months from the date of this annual report.

We obtained a two-year interest-bearing loan in U.S. dollars amounted to US\$107.5 million from CMB Bank on April 21, 2017. This bank loan was secured by two-year term deposits in Renminbi amounted to RMB792.0 million. We used the proceeds from this loan to repay the remaining outstanding balance under our April 2016 short-term loan from CMB Bank.

Although we consolidate the results of our consolidated affiliated entities and their subsidiaries, our access to cash balances or future earnings of these entities is only through our contractual arrangements with them and their shareholders. See “Item 4. Information on the Company — C. Organizational Structure — Our Contractual Arrangements.”

Cash Flow

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

	For the Year Ended December 31,		
	2014	2015	2016
	RMB	RMB	RMB
(in thousands)			
Net cash provided by/(used in):			
Operating activities	606,717	198,538	1,887,849
Investing activities	(1,884,031)	(2,781,242)	(3,948,027)
Financing activities	1,584,885	4,930,710	58,631
Effect of exchange rate changes on cash and cash equivalents	5,113	108,872	63,617
Net increase/(decrease) in cash and cash equivalents	<u>312,684</u>	<u>2,456,878</u>	<u>(1,937,930)</u>

Operating Activities

Net cash provided by operating activities was RMB1.9 billion in 2016. Our net cash provided by operating activities in 2016 reflected a net loss of RMB773.0 million, adjusted for non-cash items of RMB1.8 billion and changes in operating assets and liabilities net of acquisitions and disposals of RMB824.7 million. Non-cash reconciling items mainly included share of results of equity investees of RMB926.7 million, depreciation and amortization expenses of RMB406.8 million, share-based compensation expenses of RMB266.6 million, impairment loss of long-term investments and other non-current assets of RMB172.1 million, loss upon conversion of Guazi Convertible Note of RMB84.2 million and gain on deconsolidation and disposal of businesses of RMB79.6 million. Changes in operating assets and liabilities mainly represented an increase in deferred revenues of RMB420.9 million, an increase in accrued expenses and other liabilities of RMB269.1 million, an increase in customer advances of RMB233.4 million, partially offset by an increase in accounts receivable of RMB87.8 million. Deferred revenues and customer advances increased as the collection of our membership services and online marketing services grew rapidly as a result of rapid growth in the number of paying membership accounts. The increase in accrued expenses and other liabilities was primarily due to the growth in accruals primarily associated with the increase in our headcount, and the growth in our online marketplace business resulting in an increase of deposits by sales agents. The increase in accounts receivable was in line with revenue growth.

Net cash provided by operating activities was RMB198.5 million in 2015. Our net cash provided by operating activities in 2015 reflected a net loss of RMB1.6 billion, adjusted for non-cash items of RMB686.2 million and changes in operating assets and liabilities net of acquisitions and disposals of RMB1.2 billion. Non-cash reconciling items mainly included investment loss of RMB230.6 million, share of results of equity investees of RMB717.6 million, gain on deconsolidation and disposal of businesses of RMB765.1 million, depreciation and amortization expenses of RMB209.1 million and share-based compensation expenses of RMB176.6 million. Changes in operating assets and liabilities mainly represented an increase in customer advances of RMB484.0 million, an increase in deferred revenues of RMB363.2 million, an increase in accounts payable of RMB304.9 million, an increase in accrued expenses and other liabilities of RMB162.1 million and an increase in salary and welfare payable of RMB167.7 million, partially offset by an increase in accounts receivable of RMB166.2 million and an increase in prepayments and other assets of RMB158.7 million. Deferred revenues and customer advances increased as the collection of our membership services and online marketing services grew rapidly as a result of rapid growth in the number of paying membership accounts. The increase in accounts payable was primarily due to our consolidation of the financial statements of Ganji and Anjuke, and the year-over-year increase in advertising expenses for the 58 platforms primarily resulted from increasing competition. The increase in accounts receivable was primarily due to our consolidation of Anjuke's financials.

Net cash provided by operating activities was RMB606.7 million in 2014. Our net cash provided by operating activities in 2014 reflected a net income of RMB139.4 million, adjusted for non-cash items of RMB74.8 million and changes in operating assets and liabilities of RMB392.5 million. Non-cash reconciling items mainly included depreciation and amortization expenses of RMB34.4 million and share-based compensation expenses of RMB37.9 million. Changes in operating assets and liabilities mainly represented an increase in deferred revenues of RMB247.4 million, increase in customer advances and deposits of RMB89.9 million, increase in salary and welfare payable of RMB66.4 million, an increase in accounts payable of RMB37.0 million and an increase in accrued expenses and other current liabilities of RMB31.2 million, partially offset by an increase in prepayments and other assets of RMB98.5 million. Deferred revenues and customer advances and deposits increased as the collection of our membership services and online marketing services grew rapidly.

Investing Activities

Net cash used in investing activities primarily consists of long-term investments and business acquisitions, purchase of office space, investment in short-term financial instruments and term deposits to increase the interest income for our excess cash. We expect that our capital expenditures will increase as we purchase additional equipment and servers and expand our technology infrastructure to support the growth of our business.

Our net cash used in investing activities in 2016 was RMB3.9 billion, primarily due to cash payments of RMB1.5 billion related to our investment in Ganji, RMB190.9 million related to our acquisition of Anjuke and increase in restricted cash of RMB1.1 billion as collateral for the RMB 1.1 billion short-term bank loan borrowed from CMB Bank in 2016. We purchased RMB9.7 billion short-term investment, which was partially offset by RMB9.1 billion of proceeds from maturity of short-term investment in 2016.

Our net cash used in investing activities in 2015 was RMB2.8 billion, primarily due to cash paid for investment in Ganji of RMB3.3 billion and acquisition of Anjuke of RMB766.5 million. Our net cash used in investing activities in 2015 also included RMB1.3 billion we paid for purchase of office space in Beijing and Tianjin headquarters as well as other property and equipment, and RMB3.0 billion we used to purchase short-term financial instruments, which were partially offset by RMB4.4 billion of proceeds from maturity of short-term investments.

Our net cash used in investing activities in 2014 was RMB1.9 billion, including RMB199.6 million we paid for the purchase of office space in Beijing and Tianjin headquarters and other property and equipment, and RMB4.0 billion we used to purchase short-term financial instruments, which were partially offset by RMB3.3 billion of proceeds from maturity of short-term investments.

Financing Activities

Net cash provided by financing activities primarily consists of net proceeds from the issuance of ordinary and preference shares as well as borrowing from an existing shareholder.

Our net cash provided by financing activities in 2016 was RMB58.6 million, primarily consisted of proceeds from short-term bank borrowing of RMB2.9 billion from CMB Bank, repayment of RMB1.2 billion short-term bank borrowing from CMB Bank, cash paid by employees for their exercise of share options of RMB21.1 million and cash contributed by noncontrolling shareholders of affiliated PRC companies of RMB28.2 million, which were partially offset by proceeds from long-term bank borrowing of RMB150 million from Shanghai Pudong Development Bank, and repayment of RMB1.8 billion short-term borrowing from Tencent.

Our net cash provided by financing activities in 2015 was RMB4.9 billion, primarily attributable to the proceeds from borrowing of short-term loans of RMB2.5 billion, and the proceeds from issuance of ordinary shares to Tencent of RMB2.5 billion.

Our net cash provided by financing activities in 2014 was RMB1.6 billion, primarily attributable to the net proceeds from our follow-on public offering and the investment by Tencent.

Holding Company Structure

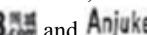
We are a holding company with no material operations of our own. We conduct our operations primarily through our wholly owned subsidiaries and consolidated affiliated entities in China. As a result, our ability to pay dividends to our shareholders depends upon dividends paid by our PRC subsidiaries. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our consolidated variable interest entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our subsidiaries and consolidated affiliated entities in China may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds at its discretion. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Most of our PRC subsidiaries and consolidated affiliated entities have incurred accumulated losses. Our PRC subsidiaries have never paid dividends and do not plan to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Capital Expenditures

We had capital expenditures of RMB199.6 million, RMB1.3 billion and RMB213.1 million in 2014, 2015 and 2016, respectively, representing 12.3%, 28.2% and 2.8% of our total revenues for such years. Our capital expenditures were primarily for the purchase of servers, other equipment and office buildings. In 2014, 2015 and 2016, we prepaid RMB103.3 million, RMB1.1 billion and nil, respectively, for the purchase of new office spaces. Our capital expenditures have been primarily funded by net cash provided by financing activities and net cash provided by operating activities.

C. Research and Development

As of December 31, 2016, we had 3,332 product development and engineering professionals who focus on developing products to deliver and enhance user experience. We have developed a robust technology platform capable of efficiently processing large amounts of data, screening the relevance and credibility of information, and delivering a superior search indexing function. Our system is built on a distributed, load balanced computing infrastructure, which is highly scalable and reliable. This allows us to expand processing capacity and add new features and functionalities efficiently without incurring significant additional costs.

Our success and ability to compete depend, in part, upon our ability to establish and adequately protect our intellectual property rights. In this regard, we rely primarily on a combination of patent, copyright, software registration, trademark, trade secret and unfair competition laws and contractual rights, such as confidentiality and license agreements with our employees, partners and others. As of March 31, 2017, we held 47 patents and had applied for the registration of 195 other patents, which cover a variety of technologies, including those relating to data processing, search, distribution and publishing. As of March 31, 2017, we had registered 219 computer software copyrights and 53 artwork copyrights in China, and had registered 37 domain names that are material to our business, including www.58.com, www.58.com.cn, www.ganji.com, www.ganji.com.cn, www.anjuke.com and www.anjuke.cn, and 848 trademarks, including   and , in China, excluding those relating to 58 Home.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period since January 1, 2016 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

We lease our facilities and offices under non-cancelable operating lease agreements. Certain of these arrangements have renewal or expansion options and adjustments-for-market provisions, such as free or escalating base monthly rental payments.

We use third-party services for server custody and bandwidth. The contracts are typically 12 months in duration. We typically contract these services according to the traffic level of our online platforms and the respective server storage and bandwidth required to support the traffic.

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2016:

	Payment Due by Period				
	Total	Less than 1 year	2–3 years	4–5 years	More than 5 years
(in thousands of RMB)					
Operating lease commitment	484,599	175,552	228,102	78,003	2,942
Server custody and bandwidth fee commitment	95,216	67,216	28,000	—	—
Advertising commitment	212,495	212,495	—	—	—
Bank loans and accrued interest payable	2,049,444	1,890,538	158,906	—	—
Total	2,841,754	2,345,801	415,008	78,003	2,942

In April 2016, we obtained a secured loan of US\$275.0 million from CMB Bank. The loan is interest bearing and has a 13-month tenor. The proceeds from this loan have been used to repay our amended loan from Tencent.

In September and December 2016, we obtained new interest-bearing loans amounted to US\$157.5 million from CMB Bank, which will be due in September and December 2017, respectively. The new bank borrowings were secured by term deposits amounted to US\$165.6 million, which was classified as restricted cash in our consolidated balance sheets. We used proceeds from these new loans to finance the repayment of our April 2016 loan from CMB Bank and repaid US\$167.5 million principal and US\$6.3 million accrued interest expense in 2016. On April 21, 2017, the remaining outstanding principal of US\$107.5 million under our April 2016 CMB Bank loan was fully repaid.

As of December 31, 2016, outstanding principal amount and accrued interest of the loans from CMB Bank amounted to US\$265.6 million.

In November 2016, we obtained a three-year interest bearing loan of RMB150 million from Shanghai Pudong Development Bank, which was secured by an office building of the Company as collateral. The proceeds from this loan will be used to build a local life information cloud platform based on big data. According to the loan agreement, the principal amount will be repaid in four installments, with two installments totaling RMB75 million due in 2018 and the other two installments of RMB75 million due in 2019.

G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements. These statements are made under the “safe harbor” provisions of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “confident” and similar statements. Among other things, the sections titled “Item 3. Key Information — D. Risk Factors,” “Item 4. Information on the Company,” and “Item 5. Operating and Financial Review and Prospects” in this annual report on Form 20-F, as well as our strategic and operational plans, contain forward-looking statements. We may also make written or oral forward-looking statements in our filings with the SEC, in our annual report to shareholders, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and are subject to change, and such change may be material and may have a material and adverse effect on our financial condition and results of operations for one or more prior periods.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained, either expressly or impliedly, in any of the forward-looking statements in this annual report on Form 20-F. Potential risks and uncertainties include, but are not limited to, our goals and strategies, our future business development, financial condition and results of operations, ability to retain and grow our user base and network of local merchants for our online platforms, the growth of, and trends in, the markets for our services in China, the demand for and market acceptance of our brand and services, competition in our industry in China, our ability to maintain the network infrastructure necessary to operate our websites and mobile applications, relevant government policies and regulations relating to the corporate structure, business and industry, and our ability to protect its users' information and adequately address privacy concerns. All information provided in this annual report on Form 20-F and in the exhibits is as of the date of this annual report on Form 20-F, and we do not undertake any obligation to update any such information, except as required under applicable law.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

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

Directors and Executive Officers	Age	Position/Title
Jinbo Yao	40	Chairman and Chief Executive Officer
Xiaoguang Wu	41	Director
Frank Lin	52	Independent Director
Herman Yu	46	Independent Director
Chi (Eric) Zhang	41	Independent Director
Xiaohua Chen	35	Chief Strategic Officer; Chief Executive Officer of 58 Home
Hao Zhou	40	Chief Financial Officer
Hongyu Xing	44	Chief Technology Officer
Jiandong Zhuang	48	Executive Vice President of Housing and Auto Business Group (HBG & ABG)
Mingke He	38	Senior Vice President of Sales

Mr. Jinbo Yao is our founder and has served as chairman of our board of directors and chief executive officer of our company since our inception. Mr. Yao is a pioneer in the PRC internet industry. Before founding our company, in 2000, Mr. Yao founded domain.cn, a domain name transaction and value-added service website in China. After domain.cn was acquired by net.cn in September 2000, Mr. Yao served various managerial roles at net.cn including vice president of sales until 2005. Mr. Yao currently serves on the board of directors of Xueda Education Group, a company he co-founded and Noah Holdings Limited, a company listed on the NYSE. Mr. Yao received bachelor's degrees in computer science and chemistry from Ocean University of China (formerly known as Ocean University of Qingdao) in 1999.

Mr. Xiaoguang Wu has served as our director since August 2014. Mr. Wu has served as a senior executive vice president at Tencent. Mr. Wu joined Tencent in 1999 to lead development and product planning for Tencent's core product QQ instant messaging. He served successively as project manager for QQ's research and development team, general manager for IM Products, and general manager for internet business division. Mr. Wu was promoted to senior vice president of Internet Services Division and chief executive officer of Tencent E-Commerce Holdings Limited. Mr. Wu also serves on the board of directors of eLong, Inc., Wanda Electronic Commerce Technology Co., Ltd., Shanghai New Feifan E-commerce Co., Ltd., Okay Buy (China) Holding Inc., Nanjing Wangdian Technology Co., Ltd. and Yixun.com. Mr. Wu received his bachelor's degree in weather dynamics from Nanjing University in 1996 and an EMBA degree from China Europe International Business School (CEIBS) in 2008.

Mr. Frank Lin has served as our director since March 2010. Mr. Lin is a general partner of DCM, an early stage technology venture capital firm. Prior to joining DCM in 2006, Mr. Lin was chief operating officer of SINA Corporation, a NASDAQ-listed company. He co-founded sina.com's predecessor company, SinaNet, in 1995 and later guided the company through its listing on NASDAQ. Prior to founding SinaNet, Mr. Lin was a consultant at Ernst & Young Management Consulting Group. He had also held various marketing, engineering and managerial positions at Octel Communication Inc. and NYNEX. Mr. Lin currently serves on the board of directors of numerous companies invested by DCM, including Vipshop Holdings Limited, a NYSE-listed company, and Tuniu Corporation, a NASDAQ-listed company. Mr. Lin received his bachelor's degree in engineering from Dartmouth College and a master's degree in business administration from Stanford University.

Mr. Herman Yu has served as our director and chair of the audit committee of our board of directors since October 2013. Mr. Yu has been the chief financial officer of Weibo Corporation (Weibo), a NASDAQ-listed company, since March 2015. Prior to that, Mr. Yu worked at SINA Corporation (SINA), which is listed on NASDAQ, as chief financial officer from August 2007 to March 2015, as acting chief financial officer from May 2006 to August 2007 and as vice president and corporate controller from September 2004 to May 2006. Prior to joining SINA, Mr. Yu worked at Adobe Systems from January 1999 to September 2004, in the positions of chief auditor and corporate marketing controller. Mr. Yu also held various finance and accounting management positions at Cadence Design Systems, Inc. and VeriFone, Inc. Mr. Yu began his career with Arthur Andersen and is a California Certified Public Accountant. Mr. Yu is currently a director of ZTO Express Inc., an express delivery company listed on the New York Stock Exchange, and Tiange, a live, social video platform company listed on the HKSE. Mr. Yu received a bachelor's degree in economics from the University of California, Santa Cruz and a master's degree in Accountancy from the University of Southern California.

Mr. Chi (Eric) Zhang has served as our director and a member of the nominating and corporate governance committee of our board of directors since November 2015. From 2006 to May 2016, Mr. Zhang served as a managing director of Carlyle where he focused on Asia buyout opportunities. Mr. Zhang also serves as Co-Chairman of Crystal Orange Hotel Group and as Vice Chairman of Plateno Group Holdings (previously 7 Days Group Holdings Limited), and is a member of the board of directors of Fang Holdings Ltd., a NYSE-listed company, China Reading Group Limited, AnNeng Logistics Group, Kaiyuan Hotel Group, and New Century Asset Management Co. Ltd. Before joining Carlyle, Mr. Zhang was a vice president in the M&A group at Credit Suisse in Hong Kong. Prior to that, he was a vice president of the investment banking department at China International Capital Corporate Limited (CICC) in Beijing where he worked for six years. Mr. Zhang received his master's degree in economics from the Shanghai University of Finance and Economics in China.

Mr. Xiaohua Chen has served as our chief strategic officer since August 2014 and the chief executive officer of 58 Home since May 2014. Mr. Chen served as our senior vice president of product management and website operation from December 2007 to August 2014. From June to December 2007, Mr. Chen served as head of product department at ganji.com responsible for product management and customer experience. Prior to joining ganji.com, he was the senior project manager and chief editor at Xiamen Haowei Network Technology Co., Ltd. Mr. Chen is a co-founder of dunsh.org, a nonprofit search engine optimization website in China. While in college, Mr. Chen co-founded 0755.org.cn, one of the earliest online classifieds providers in China. Mr. Chen received a bachelor's degree in material formation from Xiangtan University in 2004.

Mr. Hao Zhou has served as our chief financial officer since May 2011. Prior to joining our company, Mr. Zhou was chief financial officer in CITIC Pharmaceutical Co., Ltd. since September 2010. From May 2009 to September 2010, Mr. Zhou held two senior management positions at Wuxi PharmaTech (Cayman) Inc., with the latest position as the chief financial officer. From 1998 to 2009, Mr. Zhou held various senior finance managerial positions at General Electric Company and served as the senior finance manager of Greater China from 2007 to 2009. Mr. Zhou received his bachelor's degree from Shanghai International Studies University in 1998.

Mr. Hongyu Xing has served as our chief technology officer since March 2016. Mr. Xing has more than 10 years of experience in the internet industry. Mr. Xing joined us in February 2015 as a senior vice president. Prior to joining us, Mr. Xing held various positions at Tencent including general manager in charge of search products, network and media products and microblogs from June 2005 to February 2015. Prior to that, Mr. Xing worked at IBM China's Research Center from April 1999 to March 2000. Mr. Xing received a master's degree in electronics engineering from Tsinghua University in 1999.

Mr. Jiandong Zhuang has served as the Executive Vice President of Housing Business Group (HBG) since March 2015. Prior to that, Mr. Zhuang served as our senior vice president of sales from September 2007. From January 2005 to January 2007, Mr. Zhuang founded and managed Beijing Yingpu Bailian Technology Trading Co., Ltd., a SMS website and wireless service operator. Prior to founding his own company, Mr. Zhuang managed the China Unicom CDM operation and sales at Beijing Lianyin Investment Co., Ltd from May 2003 to December 2004. Mr. Zhuang received a bachelor's degree in chemistry from Capital Normal University in 1991.

Mr. Mingke He has served as our senior vice president of sales in charge of the jobs category and our local service business since July 2015. Prior to joining us, Mr. He was the founder and chief executive officer of Yimian Data from May 2014 to July 2015, senior vice president of QVOD Technologies from May 2013 to April 2014, vice president of SAIF Partners (Softbank Asia Investment Fund) from July 2008 to May 2012. Mr. He received a master's degree in business administration from Stanford University in 2008, and a bachelor's degree in automotive engineering and a master's degree in management science from Tsinghua University in 2001 and 2003, respectively.

B. Compensation

In 2016, we paid an aggregate of approximately RMB11.8 million in cash to our executive officers as of the date of this annual report, which exclude the compensation 58 Home paid to Mr. Xiaohua Chen as chief executive officer of 58 Home, and approximately RMB423,000 cash compensation to our independent directors as of the date of this annual report.

Employment Agreements and Indemnification Agreements

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

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

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

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

Share Incentive Plans

We have adopted two share incentive plans, namely, the 2010 Plan and the 2013 Plan. The purpose of these two share incentive plans is to attract, motivate and retain the best available personnel by linking their personal interests to the success of our business. As of March 31, 2017, options and restricted share units to purchase 3,277,610 ordinary shares were issued and outstanding under the 2010 Plan, and 9,336,174 ordinary shares were issued and outstanding under the 2013 Plan.

The 2010 Employee Stock Option Plan

The maximum number of shares in respect of which share awards may be granted under the 2010 Plan is 20,173,225. The following paragraphs summarize the terms of the 2010 Plan.

Plan Administration. The plan administrator is our board of directors, or one or more committees designated by our board of directors. The plan administrator will determine the provisions and terms and conditions of each grant.

Award Agreement. Options granted under the plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price subject to an option shall be determined by the plan administrator and set forth in the award agreement. The exercise price may be amended or adjusted by the administrator for the benefit of any eligible person.

Eligibility. We may grant awards to our directors, officers, employees and consultants of our company or any of our subsidiaries.

Term of the Awards. The term of each option grant shall not exceed 10 years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule or conditions, which is set forth in the award agreement.

Transfer Restrictions. Awards for options may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. However, the award holder shall be permitted to transfer options to a trust controlled by such award holder during his or her lifetime for estate planning purposes.

Termination of Employment or Service. In the event that an award recipient ceases employment with us or ceases to provide services to us, any vested options will generally terminate after a period of time following the termination of employment if the award recipient does not exercise the options during this period.

Termination and Amendment of the Plan. Unless terminated earlier, the 2010 Plan will terminate automatically in 2020. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval with respect to certain amendments. However, no such action may adversely affect in any material way any awards previously granted unless agreed by the recipient.

The 2013 Share Incentive Plan

We adopted the 2013 Plan in September 2013. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2013 Plan was 2,800,000 Class A ordinary shares as of the date of its adoption. The 2013 Plan contains an evergreen provision, pursuant to which the number of shares reserved for future issuances under the 2013 Plan will be increased by a number equal to 1.5% of the total number of outstanding shares on the last day of the immediately preceding calendar year, on the first day of each calendar year during the term of the 2013 Plan beginning in 2015, or such lesser number of Class A ordinary shares as determined by our board of directors. Taking into account the automatic increase of 4,345,065 ordinary shares at the beginning of 2017 pursuant to the evergreen provision of the 2013 Plan, the maximum aggregate number of shares which may be issued pursuant to all awards under the 2013 Plan is 22,277,223 ordinary shares, consisting of 15,277,223 Class A ordinary shares and 7,000,000 Class B ordinary shares, as of the date of this annual report.

The following paragraphs describe the principal terms of the 2013 Plan.

Types of Awards. The 2013 Plan permits the awards of options, restricted shares, restricted share units or any other type of awards that the committee or the board decides.

Plan Administration. Our board of directors, our compensation committee or a committee designated by our board will administer the 2013 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2013 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

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

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

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

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

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

Termination of the 2013 Plan. Unless terminated earlier, the 2013 Plan will terminate automatically in 2023. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval or home country practice.

The following table summarizes, as of March 31, 2017, outstanding options and restricted share units held by our executive officers and directors under our 2010 Plan and 2013 Plan.

Name	Ordinary shares Underlying Options Awarded and Restricted Share Units	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Jinbo Yao	*	0	August 24, 2015	August 23, 2025
	*	0	March 24, 2017	March 23, 2027
Xiaohua Chen	*	2.500	July 31, 2013	July 30, 2023
	*	5.600	October 14, 2013	October 13, 2023
Hao Zhou	*	2.220	May 31, 2011	May 30, 2021
	*	2.500	July 31, 2013	July 30, 2023
	*	5.600	October 14, 2013	October 13, 2023
	*	0	August 24, 2015	August 23, 2025
	*	20.980	August 24, 2015	August 23, 2025
	*	0	September 21, 2016	September 20, 2026
	*	0	February 24, 2017	February 23, 2027
Jiandong Zhuang	*	0	April 13, 2015	April 13, 2025
	*	0	August 24, 2015	August 23, 2025
	*	0	September 21, 2016	September 20, 2026
	*	0	February 24, 2017	February 23, 2027
	*	0	March 24, 2017	March 23, 2027
Hongyu Xing	*	0	February 27, 2015	February 26, 2025
	*	18.675	February 27, 2015	February 26, 2025
	*	20.980	August 24, 2015	August 23, 2025
	*	0	September 21, 2016	September 20, 2026
	*	0	February 24, 2017	February 23, 2027
Mingke He	*	0	August 24, 2015	August 23, 2025
	*	0	September 21, 2016	September 20, 2026
	*	0	February 24, 2017	February 23, 2027
Herman Yu	*	8.500	October 30, 2013	October 29, 2023

* Less than one percent of our total outstanding share capital.

As of March 31, 2017, other employees as a group held options and restricted share units to purchase 8,053,946 ordinary shares of our company, with exercise prices ranging from US\$ nil to US\$38.14 per ordinary share.

The 58 Home 2015 Share Incentive Plan

58 Home adopted the 58 Home 2015 Plan in February 2015. The maximum aggregate number of shares which may be issued pursuant to all awards under the 58 Home 2015 Plan is 22 million ordinary shares of 58 Home as of the date of this annual report. The 58 Home 2015 Plan permits the awards of options, restricted shares and restricted share units. Unless terminated earlier, the 58 Home 2015 Plan will terminate automatically in 2025.

In February and April 2015, 58 Home granted options to purchase an aggregate of approximately 8.9 million ordinary shares of 58 Home to its employees and to the employees of certain other subsidiaries and affiliated companies of our company. In February 2015, 58 Home granted 9.1 million restricted shares to selected management members of 58 Home. In April 2015, 58 Home further granted approximately 1.9 million restricted shares of 58 Home to an executive officer of our company. The foregoing disclosure of awards granted by 58 Home under its 2015 Plan only relates to the period prior to November 27, 2015 when 58 Home was deconsolidated from our consolidated results of operations.

C. Board Practices

Our board of directors currently consists of five directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

Committees of the Board of Directors

We have three committees of the board of directors: the audit committee, the compensation committee and the nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Herman Yu, Frank Lin and Chi (Eric) Zhang, and is chaired by Herman Yu. Messrs. Yu, Lin and Zhang satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Herman Yu qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing and discussing our company's earnings press releases;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- meeting separately and periodically with management and the independent registered public accounting firm; and

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

Compensation Committee. Our compensation committee consists of Chi (Eric) Zhang, Herman Yu and Frank Lin, and is chaired by Chi (Eric) Zhang. Messrs. Zhang, Yu and Lin satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Frank Lin, Herman Yu and Chi (Eric) Zhang, and is chaired by Frank Lin. Messrs. Lin, Yu and Zhang satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, skills, experience, expertise and diversity;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;
- developing and reviewing the corporate governance principles adopted by the board and advising the board with respect to significant developments in the law and practice of corporate governance and our compliance with such laws and practices; and
- evaluating the performance and effectiveness of the board as a whole.

Duties of Directors

Under Cayman Islands law, our directors have a duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. A shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they resign or are removed from office by an ordinary resolution of our shareholders. A director will vacate office automatically if, among other things, the director (1) becomes bankrupt or suspends payments or compounds with his creditors; or (2) dies or becomes of unsound mind.

D. Employees

The following table sets forth the numbers of our employees, categorized by function, as of December 31, 2014, 2015 and 2016, which exclude the employees of 58 Home:

Function	As of December 31,		
	2014	2015	2016
Sales, customer service and marketing	7,485	16,323	17,920
Research and development	1,354	2,744	3,332
Website operations	93	533	673
Management and administrative positions	467	1,105	1,207
Total	9,399	20,705	23,132

Our success depends on our ability to attract, retain and motivate qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages initiative and meritocracy, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We design and implement in-house training programs tailored to each job function and a set of responsibilities to enhance performance. Specific training is provided to new employees at orientation to familiarize them with our working environment and operational procedures.

As required by PRC regulations, we participate in various statutory employee benefit plans, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

E. Share Ownership

Please refer to "Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of the date of this annual report by:

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

The calculations in the table below are based on 290,570,395 ordinary shares outstanding as of March 31, 2017, comprising 241,930,135 Class A ordinary shares and 48,640,260 Class B ordinary shares and excluding 5,983,928 Class A ordinary shares issued to our depositary and reserved for future exercise of vested options and RSUs under our share incentive plans by our management and other employees, which are not deemed as outstanding for the purpose of calculating the beneficial ownership in the following table.

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

	Number	%(¹)
Directors and Executive Officers:**		
Jinbo Yao	31,591,906 ⁽²⁾	10.87
Xiaoguang Wu ⁽³⁾	—	—
Frank Lin ⁽⁴⁾	—	—
Herman Yu ⁽⁵⁾	*	*
Eric Zhang ⁽⁶⁾	—	—
Hao Zhou	*	*
Xiaohua Chen ⁽⁷⁾	*	*
Jiandong Zhuang ⁽⁸⁾	*	*
Hongyu Xing	*	*
Mingke He	—	—
All directors and executive officers as a group	33,380,138	11.42
Principal Shareholders:		
Tencent Holdings Limited	67,272,136 ⁽⁹⁾	23.15
Nihao China Corporation	29,418,640 ⁽¹⁰⁾	10.12
T. Rowe Price Associates, Inc.	20,944,602 ⁽¹¹⁾	7.21
FMR LLC	19,578,332 ⁽¹²⁾	6.74

Notes:

* Less than one percent of our total outstanding capital.

** Except for Mr. Xiaoguang Wu, Mr. Frank Lin, Mr. Herman Yu and Mr. Eric Zhang, the business address of our directors and executive officers is c/o Block E, the North American International Business Center, Yi 108 Beiyuan Road, Chaoyang District, Beijing 100101, the People's Republic of China.

- (1) The number of ordinary shares outstanding in calculating the percentages for each listed person or group includes the ordinary shares underlying the options held by such person or group exercisable within 60 days of March 31, 2017. Percentage of beneficial ownership of each listed person or group is based on (1) 290,570,395 ordinary shares outstanding as of March 31, 2017, and (2) the number of ordinary shares underlying options exercisable by such person or group within 60 days of March 31, 2017.
- (2) Consists of (i)28,587,204 Class B ordinary shares and 415,718 ADSs (representing 831,436 Class A ordinary shares) held by Nihao China Corporation, a British Virgin Islands company beneficially owned by Mr. Yao through a trust; (ii) 2,172,960 Class B ordinary shares beneficially owned by certain of our executive officers and employees who acquired the ownership of these shares pursuant to our employee stock option plan and who authorize Mr. Yao to vote these shares on their behalf under power of attorney. Such individuals include all executive officers and employees who became our ordinary shareholders through our employee stock option plan; and (iii) 306 vested restricted share units (representing 306 Class A ordinary shares) held by Mr. Yao.
- (3) The business address of Mr. Wu is 39/F, Tencent Building, Kejizhong Avenue, High Tech Park, Nanshan District, Shenzhen, P. R. China.
- (4) The business address of Mr. Lin is Unit 1, Level 10, Tower W2, Oriental Plaza, Dong Cheng District, Beijing 100738, P. R. China.
- (5) The business address of Mr. Yu is #8 Sina Plaza, Courtyard 10, the West, Xibeiwang E. R., Haidian, Beijing 100093, P. R. China.
- (6) The business address of Mr. Zhang is Suite 2801, Two Pacific Place, Hong Kong.
- (7) Mr. Chen has authorized Mr. Jinbo Yao under power of attorney to vote the ordinary shares that Mr. Chen currently owns through Trumpway Limited, a British Virgin Islands company wholly owned by Mr. Chen.

(8) Mr. Zhuang has authorized Mr. Jinbo Yao under power of attorney to vote the ordinary shares that Mr. Zhuang currently owns through Magic Mirror Holdings Limited, a British Virgin Islands company wholly owned by Mr. Zhuang.

(9) Consists of (i) 41,419,336 Class A ordinary shares and 14,722,000 Class B ordinary shares directly held by Ohio River Investment Limited, (ii) 4,377,326 ADSs (representing 8,754,652 Class A ordinary shares) directly held by THL E Limited and (iii) 1,188,074 ADSs, representing 2,376,148 Class A ordinary shares, directly held by Huang River Investment Limited. Tencent Holdings Limited is reported as the beneficial owner of the aforementioned shares. The business address of Ohio River Investment Limited and THL E Limited is c/o Tencent Holdings Limited, 29/F., Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong, as reported in a Schedule 13D/A filed on November 22, 2016.

(10) Consists of 28,587,204 Class B ordinary shares and 415,718 ADSs (representing 831,436 Class A ordinary shares) held by Nihao China Corporation, a British Virgin Islands company beneficially owned by Mr. Yao through a trust. Nihao China Corporation has pledged 9,080,004 Class B ordinary shares as security for a loan extended to Mr. Yao by UBS AG, London Branch in December 2015, and pledged 12,400,000 Class B ordinary shares as security for a loan extended to us by CMB Bank in April 2016.

(11) Consists of 20,944,602 Class A ordinary shares beneficially owned by T. Rowe Price Associates, Inc., as reported on Schedule 13G filed by it on February 7, 2017. The percentage of beneficial ownership was calculated based on the total number of our ordinary shares outstanding as of March 31, 2017. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202, as reported on the same Schedule 13G.

(12) Consists of 19,578,332 Class A ordinary shares beneficially owned by FMR LLC, as reported on Schedule 13G filed by FMR LLC on February 13, 2017. The percentage of beneficial ownership was calculated based on the total number of our ordinary shares outstanding as of March 31, 2017. The address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210, U.S.A., as reported on the same Schedule 13G.

To our knowledge, as of March 31, 2017, a total of 198,705,757 Class A ordinary shares were held by three record holders in the United States, representing approximately 68.4% of our total outstanding shares on an as-converted basis. One of these holders is the depositary of our ADS program, which held 197,823,404 Class A ordinary shares on record (including the 5,983,928 Class A ordinary shares issued to our depositary and reserved for future exercise of vested options and RSUs under our share incentive plans by our management and other employees), representing approximately 68.1% of our total outstanding shares on record as of March 31, 2017. None of our outstanding Class B ordinary shares were held by record holders in the United States as of March 31, 2017. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Holders of Class A and Class B ordinary shares vote together as one class on all matters subject to a shareholders' vote. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstance. 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. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

Contractual Arrangements with Our Consolidated Variable Interest Entities

PRC law currently limits direct foreign equity ownership of business entities providing value-added telecommunications services. As a result of these foreign ownership restrictions requirements, we conduct substantially all of our businesses in China through a series of contractual arrangements with our consolidated affiliated entities and their shareholders. For a description of these contractual arrangements, see "Item 4. Information on the Company — C. Organizational Structure — Our Contractual Arrangements."

Registration Rights

Pre-IPO Shareholders Agreement

Pursuant to our shareholders agreement dated August 4, 2011 that we entered into with all our then shareholders in connection with our issuance of preference shares prior to our initial public offering, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time beginning six months after the completion of our initial public offering on November 5, 2013, upon a written request from the holders of at least 20% of the registrable securities held by holders of our ordinary shares converted from preference shares, we must file a registration statement covering the offer and sale of the registrable securities held by the requesting shareholders and other holders of registrable securities who choose to participate in the offering. Registrable securities include, among others, our ordinary shares not previously sold to the public and ordinary shares issued upon conversion of the preference shares.

However, we are not obligated to proceed with a demand registration if we have, within the six-month period preceding the date of such request, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Form F-3 Registration Rights. When we are eligible for registration on Form F-3, upon a written request from our the holders of at least 20% of the registrable securities held by holders of our ordinary shares converted from preference shares, we must file a registration statement on Form F-3 covering the offer and sale of the registrable securities.

We are not obligated to effect a Form F-3 registration, among other things, if we have already effected two registrations on Form F-3 in any 12-month period. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our ordinary shares on a form that would be suitable only for registrable securities, we must offer holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of Registration. We will pay all expenses relating to any demand, Form F-3, or piggyback registration.

Termination of Obligations. We shall have no obligation to effect any demand, Form F-3, or piggyback registration on the earlier of (a) the date that is five years after the completion of our initial public offering on November 5, 2013, or (b) as to any holder of registrable securities, the time when all registrable securities held by such holder may be sold in any three-month period without registration pursuant to Rule 144 under the Securities Act.

Investor Rights Agreement with Tencent

Pursuant to an investor rights agreement dated June 30, 2014 that we entered into with Tencent, we have granted certain registration rights to Tencent. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. Upon a written request from Tencent, we must use all reasonable efforts to effect the registration under the Securities Act of all registrable securities Tencent requests to be registered. Registrable securities include, subject to limitation, ordinary shares of our company Tencent acquired in June 2014 and any other ordinary shares of our company owned or acquired by Tencent thereafter.

However, we are not obligated to proceed with a demand registration if we have, within the six-month period preceding the date of such request, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Form F-3 Registration Rights. When we are eligible for registration on Form F-3, upon a written request from an investor party to the agreement, we must effect such registration to permit or facilitate the sale and distribution of all or such portion of the investor's registrable securities as are specified in such request.

We are not obligated to effect a Form F-3 registration, among other things, if we have already effected two registrations on Form F-3 in any 12-month period. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our securities, we must offer Tencent an opportunity to include in that registration all or any part of its registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of Registration. We will pay all expenses relating to any demand, Form F-3, or piggyback registration.

Termination of Obligations. We shall have no obligation to effect any demand, Form F-3, or piggyback registration on the earlier of (a) the date that is five years after the date of the agreement, or (b) as to any holder of registrable securities, the time when all registrable securities held by such holder may be sold in any ninety-day period without registration pursuant to Rule 144 under the Securities Act.

Registration Rights Agreement with Former Ganji Shareholders

Pursuant to a registration rights agreement dated April 20, 2015 that we entered into with certain new shareholders in connection with our issuance of new Class A ordinary shares as share portion of the purchase price for our acquisition of Ganji shares from the selling shareholders, we have granted certain registration rights to such new shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. Upon a written request from the holders of at least a majority of the registrable securities held by holders of the registrable securities, we must use all reasonable efforts to effect the registration under the Securities Act of all registrable securities held by the requesting shareholders and other holders of registrable securities who choose to participate in the offering. Registrable securities include, subject to limitation, new Class A ordinary shares as share portion of the purchase price for our acquisition of Ganji.com shares from the selling shareholders.

However, we are not obligated to proceed with a demand registration if we have, within the six-month period preceding the date of such request, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Form F-3 Registration Rights. When we are eligible for registration on Form F-3, upon a written request from an investor party to the agreement, we must effect such registration to permit or facilitate the sale and distribution of all or such portion of the investor's registrable securities as are specified in such request, together with all or such portion of the registrable securities of any other investor or investors joining such request.

We are not obligated to effect a Form F-3 registration, among other things, if we have already effected two registrations on Form F-3 in any 12-month period. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our ordinary shares on a form that would be suitable only for registrable securities, we must offer holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of Registration. We will pay all expenses relating to any demand, Form F-3, or piggyback registration.

Termination of Obligations. We shall have no obligation to effect any demand, Form F-3, or piggyback registration on the earlier of (a) the date that is five years after the date of the agreement, or (b) as to any holder of registrable securities, the time when all registrable securities held by such holder may be sold in any ninety-day period without registration pursuant to Rule 144 under the Securities Act.

Investment by Tencent and Share Repurchase from Certain Pre-IPO Shareholders

In June 2014, we entered into an investment agreement with Tencent, pursuant to which Tencent invested US\$736.1 million in exchange for approximately 19.9% equity interest in 58.com Inc. on a fully-diluted basis. Tencent purchased 36,805,000 Class A and B ordinary shares of our company at a purchase price of US\$20.00 per ordinary share, corresponding to US\$40.00 per ADS. We applied US\$552.1 million of the proceeds from this transaction to repurchase 27,603,750 Class B ordinary shares of our company from certain pre-IPO shareholders. Participants in the share repurchase include DCM Affiliates Fund V, L.P., DCM V, L.P., SB Asia Investment Fund II L.P., Dong Yang, and WP X Asia Online Investment Holdings Limited, from which we purchased 186,720, 7,652,229, 8,537,341, 862,291 and 10,365,169 Class B ordinary shares, respectively. Mr. Dong Yang is a director and a member of the audit committee of our board of directors.

Concurrent with our acquisition of a strategic stake in Ganji in April 2015 and incremental to its then existing share ownership of our company, Tencent purchased an additional approximately US\$400.0 million of newly issued ordinary shares from us at a purchase price of US\$26.00 per ordinary share, equivalent to US\$52.00 per ADS. In July 2015, we entered into a loan agreement with Tencent whereby we obtained a loan from Tencent in an aggregate principal amount of US\$400.0 million. The loan bore interest at a base rate of 5% per annum and had a maturity date of December 20, 2015. If we had failed to repay the loan together with all interest accrued but unpaid thereon by the maturity date, Tencent would have had the right to deliver a conversion notice to us requiring us to convert all or a portion of the amount due and payable under the loan agreement into a corresponding number of our Class A ordinary shares. In December 2015, we and Tencent entered into an amendment to the loan agreement, pursuant to which we issued and allotted 4,267,344 Class A ordinary shares to Tencent to early repay US\$125 million principal amount and accrued but unpaid interest expense amounting to US\$7.3 million. The principal amount of the amended loan agreement was US\$275 million, the interest rate of the amended loan was 6% per annum and the maturity date of the amended loan was June 20, 2016. The amended loan was fully paid off in April 2016.

We have not entered into any significant transaction with Tencent outside of the ordinary course of business.

Spin-off of Guazi

On December 31, 2015, following an independent third-party valuation assessment, we divested a controlling ownership stake in Guazi to Mr. Mark Haoyong Yang, co-chairman of our board of directors at the time, in exchange for US\$50 million in cash from Mr. Yang. We concurrently used the proceeds to invest in a US\$50 million non-interest bearing convertible note issued by Guazi. The note was convertible into preference shares of Guazi to be issued in Guazi's subsequent round of financing at the same price to be paid by other investors. Immediately after the spinoff was closed on December 31, 2015, we had approximately a 45.6% stake in Guazi. Mr. Yang resigned from his position as our co-chief executive officer and serves as chairman and chief executive officer of Guazi.

Convertible Notes of Guazi

In March 2016, Guazi closed a US\$204.5 million round of equity financing with participation from a number of globally recognized institutional investors and we converted our US\$50 million non-interest bearing convertible note into series B preference shares of Guazi. We currently have approximately 34.6% stake in Guazi following their subsequent private equity financing.

Short-term Bank Borrowing Secured by Ordinary Shares Held by Our Chief Executive Officer

In April 2016, we obtained an interest-bearing loan of US\$275.0 million denominated in U.S. dollars from CMB Bank. The loan was secured by 12.4 million Class B ordinary shares personally owned by Mr. Jinbo Yao, the chief executive officer of our company. Based on the covenant of the loan agreement, if the aggregate fair value of the pledged shares on any trading date was less than 120% of the outstanding amount of the corresponding loan and accrued interest payable, we were required to pledge sufficient amount of cash or the chief executive officer of the company can pledge additional number of shares to cover the shortfall in the fair value of the pledged shares. We used the proceeds from this loan to prepay the principal and accrued interest of the amended loan from Tencent. As of the date of this annual report, the loan has been fully repaid and CMB Bank has agreed to release the shares pledged accordingly.

Investment in Zhuan Zhuan (“转转”)

In April 2017, we entered into definitive agreements with Tencent, under which we agree to inject the Zhuan Zhuan app and certain used goods related listing channels from the 58 and Ganji classified platforms into a separate group of entities, or the Zhuan Zhuan Entities, and Tencent agrees to invest US\$200.0 million in cash and additional business resources into the Zhuan Zhuan Entities for a minority equity ownership. We will continue our direct traffic and other business support to the Zhuan Zhuan Entities. The transaction was closed on April 28, 2017, and we currently own a majority of equity stake in the Zhuan Zhuan Entities.

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees — B. Compensation — Employment Agreements and Indemnification Agreements.”

Stock Incentive Plans

See “Item 6. Directors, Senior Management and Employees — B. Compensation — Share Incentive Plans.”

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Please refer to Item 18.

Legal Proceedings

From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business. Internet companies are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights and other allegations in connection with the content available on their websites or services they provide. We are currently not involved in any legal or administrative proceedings that would materially and adversely affect our business.

On October 19, 2013, Mr. Xuanfu Liu filed a complaint with a local court in Hubei Province in China against (1) Mr. Handong Cheng, legal representative of Business Opportunity Online (Beijing) Network Technology Co., Ltd., or Shangji, a PRC company, (2) Shangji, and (3) Mr. Jinbo Yao, our chairman and chief executive officer. Mr. Liu purported to be a 36% minority shareholder of Shangji. The complaint claimed that Shangji had enjoyed a right to 17.5% of the equity interests in Beijing 58 held by Mr. Yao as Shangji’s nominee prior to December 2009, and alleged that Mr. Cheng had entered into an agreement on behalf of Shangji with Mr. Yao in December 2009 terminating Shangji’s right to the 17.5% equity interest in Beijing 58 without prior consultation with or notice to Mr. Liu. Mr. Liu sought the court’s ruling that the termination agreement was invalid and that Mr. Liu be entitled to a 6.3% equity interest in Beijing 58, equivalent to what he believed was his indirect pro rata share of Beijing 58. After contestation and appeal by Mr. Yao to the appellate court in Hubei for lack of jurisdiction of the local court, the appellate court ruled in favor of Mr. Yao and ruled that the case should be transferred to a local court in Beijing. After the case was transferred to the local court in Beijing, Mr. Liu filed a motion to withdraw the lawsuit, and the court granted the motion to dismiss in December 2014. Since Mr. Liu withdrew his complaint, he has not initiated any new proceeding relating to the same matter. However, there is uncertainty as to whether Mr. Liu will file a new complaint.

We and Mr. Yao believe that Mr. Liu's claim that the termination agreement is invalid and his claim to be registered as a shareholder of Beijing 58 are baseless and without merit and intend to continue to contest new claims, if any, vigorously. Our PRC counsel, Han Kun Law Offices, advises us that based on the evidence presented in the aforementioned complaint, and applicable PRC law, including the PRC judicial interpretation, there are meritorious defenses to Mr. Liu's claims.

On October 21, 2015, Shangji filed a complaint with a local district court in Beijing against Beijing 58, with Mr. Jinbo Yao and other shareholders of Beijing 58 being joined as third parties. Shangji sought the court's ruling that Shangji is a shareholder of Beijing 58 owning 17.5% equity interest in Beijing 58, and Beijing 58 has the 17.5% equity interest registered under the name of Mr. Jinbo Yao transferred to and registered under Shangji. Beijing 58 and the third parties, including Mr. Yao, contested these claims before the district court. On January 20, 2016, the district court dismissed all of Shangji's claims. Shangji subsequently appealed to the appellate court in Beijing. On May 30, 2016, the appellate court in Beijing dismissed all of Shangji's claims. This legal proceeding has been closed.

Dividend Policy

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Foreign Currency Exchange."

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See "— C. Markets."

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing two of our Class A ordinary shares, have been listed on the NYSE since October 31, 2013. Our ADSs trade under the symbol "WUBA." The following table provides the high and low trading prices for our ADSs on the NYSE since the date of our initial public offering.

The last reported trading price for our ADSs on April 27, 2017 was US\$39.37 per ADS.

	Market Price (US\$)	
	High	Low
Annual High and Low		
Fiscal Year 2013 (from October 31, 2013)	39.83	21.00
Fiscal Year 2014	58.89	31.60
Fiscal Year 2015	83.71	37.15
Fiscal Year 2016	65.33	27.72
Quarterly Highs and Lows		
First Fiscal Quarter of 2015	54.39	37.15
Second Fiscal Quarter of 2015	83.71	49.80
Third Fiscal Quarter of 2015	69.00	37.72
Fourth Fiscal Quarter of 2015	70.27	43.82
First Fiscal Quarter of 2016	65.33	42.57
Second Fiscal Quarter of 2016	61.59	43.94
Third Fiscal Quarter of 2016	55.28	43.98
Fourth Fiscal Quarter of 2016	48.58	27.72
First Fiscal Quarter of 2017	38.95	27.58
Second Fiscal Quarter of 2017 (through April 27, 2017)	40.00	34.84
Monthly Highs and Lows		
October 2016	48.58	41.46
November 2016	42.92	30.66
December 2016	33.89	27.72
January 2017	30.97	28.02
February 2017	37.98	27.58
March 2017	38.95	34.55
April 2017 (through April 27, 2017)	40.00	34.84

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands company and our affairs are governed by our amended and restated memorandum and articles of association, as amended from time to time, and the Companies Law of the Cayman Islands, which is referred to below as the Companies Law.

The following are summaries of the material provisions of our amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares. This summary is not complete, and you should read our third amended and restated memorandum and articles of association, which has been filed as Exhibit 3.2 to our Form F-1 (File No. 333-191424) filed with the SEC on September 27, 2013.

Registered Office and Objects

Our registered office in the Cayman Islands is located at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. As set forth in clause 3 of our amended and restated memorandum of association, the objects for which our company is established are unrestricted.

Board of Directors

See "Item 6. Directors, Senior Management and Employees — C. Board Practices — Committees of the Board of Directors" and "Item 6. Directors, Senior Management and Employees — C. Board Practices — Terms of Directors and Officers."

Ordinary Shares

General. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Our articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. Holders of Class A ordinary shares and Class B ordinary shares will be entitled to the same amount of dividends, if declared.

Voting Rights. In respect of all matters subject to a shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes, voting together as one class. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of the nominal value of the total issued voting shares of our company present in person or by proxy.

A quorum required for a meeting of shareholders consists of one or more shareholders who hold at least one-third of all voting power of our share capital in issue at the meeting present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders' meetings may be held annually. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Extraordinary general meetings may be called by a majority of our board of directors or our chairman or upon a requisition of shareholders holding at the date of deposit of the requisition not less than one-third of the aggregate voting power of our company. Advance notice of at least ten clear days is required for the convening of our annual general meeting and other general meetings.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon 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 shall be automatically and immediately converted into the equivalent number of Class A ordinary shares. In addition, if at any time, Mr. Jinbo Yao and his affiliates collectively own less than 5% of the total number of the issued and outstanding Class B ordinary shares, each issued and outstanding Class B ordinary share will be automatically and immediately converted into one Class A ordinary share, and we will not issue any Class B ordinary shares thereafter.

Transfer of Ordinary Shares. Subject to the restrictions set out below and the provisions above in respect of Class B ordinary shares, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

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

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

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

The registration of transfers may, after compliance with any notice required of the NYSE, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our board may determine.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. Any distribution of assets or capital to a holder of a Class A ordinary share and a holder of a Class B ordinary share will be the same in any liquidation event.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Ordinary Shares. The Companies Law and our articles of association permit us to purchase our own shares. In accordance with our articles of association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

Inspection of Books and Records. Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “— H. Documents on Display.”

Issuance of Additional Shares. Our memorandum of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

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

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

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

Anti-Takeover Provisions. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

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

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

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company.

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

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report.

D. Exchange Controls

The Cayman Islands currently has no exchange control restrictions. See also “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Foreign Currency Exchange” and “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Offshore Financing.”

E. Taxation

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

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes levied by the Government of the Cayman Islands that are likely to be material to holders of ADSs or ordinary shares. The Cayman Islands is not party to any double tax treaties except for a double tax treaty entered into with the United Kingdom in 2010. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Council:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from June 14, 2011.

People’s Republic of China Taxation

Under the Enterprise Income Tax Law, an enterprise established outside the PRC with “de facto management bodies” within China is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation rules to the Enterprise Income Tax Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, SAT Circular 82, issued by the State Administration of Taxation in April 2009 and amended in January 2014, specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. Further to SAT Circular 82, the State Administration of Taxation issued the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters. We do not believe that 58.com Inc., or China Classified Network Corporation or China Classified Information Corporation Limited meet all of the conditions above or are PRC resident enterprises. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. One example is that a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs and potentially a 20% of withholding tax would be imposed on dividends we pay to our non-PRC individual shareholders and with respect to gains derived by our non-PRC individual shareholders from transferring our shares or ADSs.

It is unclear whether, if we are considered a PRC resident enterprise, holders of our shares or ADSs would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. See “Item 3. Key Information — D. Risk Factors — Risk Factors Related to Doing Business in China — Under the Enterprise Income Tax Law, we may be classified as a PRC ‘resident enterprise’ for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.”

The Enterprise Income Tax Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (1) do not have an establishment or place of business in China or (2) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. The PRC State Council or an applicable tax treaty between the PRC and the jurisdictions in which the non-PRC investors reside may reduce such income tax rate. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the relevant PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on SAT Circular 81 issued by the State Administration of Taxation in February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Pursuant to SAT Circular 601 issued by the State Administration of Taxation in October 2009, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, may not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and upon their confirmation that the prescribed criteria are met, directly apply the reduced withholding tax rate, and file the necessary forms and supporting documents when conducting tax filings, which will be subject to post-filing examinations by the relevant tax authorities. None of our Hong Kong subsidiaries has applied for the approval for a withholding tax rate of 5% from local tax authority prior to SAT Circular 60, nor has any of our PRC subsidiaries applied the 5% tax rate directly to any dividend payment after the SAT Circular 60, as our PRC subsidiaries have not paid dividends to us.

In January 2009, the State Administration of Taxation promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, pursuant to which the entities that have the direct obligation to make certain payments to a non-resident enterprise should be the relevant tax withholders for the non-resident enterprise, and such payments include: income from equity investments (including dividends and other return on investment), interest, rents, royalties and income from assignment of property as well as other incomes subject to enterprise income tax received by non-resident enterprises in China. Further, the measures provide that in case of an equity transfer between two non-resident enterprises which occurs outside China, the non-resident enterprise which receives the equity transfer payment must, by itself or engage an agent to, file tax declaration with the PRC tax authority located at place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred should assist the tax authorities to collect taxes from the relevant non-resident enterprise.

The State Administration of Taxation issued SAT Circular 59 together with the Ministry of Finance in April 2009 and SAT Circular 698 in December 2009. Both Circular 59 and Circular 698 became effective retroactively as of January 1, 2008. On February 3, 2015, the State Administration of Taxation issued SAT Notice 7. By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests or other taxable assets in a PRC resident enterprise by a non-resident enterprise. Under SAT Notice 7, where a non-resident enterprise transfers the equity interests or other taxable assets of a PRC “resident enterprise” indirectly by disposition of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority this “indirect transfer”. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. We face uncertainties on the reporting and consequences on private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. We and our non-resident investors may be at risk of being required to file a return and being taxed under SAT Circular 698 and SAT Notice 7, and we may be required to expend valuable resources to comply with SAT Circular 698 and SAT Notice 7 or to establish that we should not be taxed under these circulars.

United States Federal Income Tax Considerations

The following is a summary of United States federal income tax consequences of the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder, as defined below, that holds our ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended, or the Code. This discussion is based on the tax laws of the United States as in effect on the date of this annual report on Form 20-F and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report on Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax considerations described below. No ruling has been sought from the Internal Revenue Service, or IRS with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (such as, for example, certain financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, tax-exempt organizations (including private foundations), investors who are not U.S. Holders, investors that own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction, or investors that have a functional currency other than the United States dollar) all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not discuss the Medicare tax on net investment income or any state, local, or estate or gift tax considerations and, except for the limited instances where PRC tax law and potentially PRC taxes are discussed below, does not discuss any non-United States tax considerations. U.S. Holders should consult their tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or Class A ordinary shares.

General

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

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

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms. U.S. Holders who hold ADSs will be treated as the beneficial owner for United States federal income tax purposes of the underlying shares represented by the ADSs.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be a “passive foreign investment company,” or PFIC, for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income (the “asset test”). Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s unbooked goodwill is taken into account for determining the value of its assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is not entirely clear, we treat Beijing 58 and other consolidated affiliated entities as being owned by us for United States federal income tax purposes, because we control their management decisions and are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of Beijing 58 and other consolidated affiliated entities for United States federal income tax purposes, we would likely be treated as a PFIC for our current taxable year and any subsequent taxable year.

Assuming that we are the owner of Beijing 58 and other consolidated affiliated entities for United States federal income tax purposes, we believe that we primarily operate as an active provider of online marketing services. Based on our current income and assets and projections as to the value of our assets based, in part, on the market value of our ADSs and outstanding Class A ordinary shares, we do not believe that we were a PFIC for our taxable year ended December 31, 2016 and, although no assurances can be made in this regard, we do not expect to be a PFIC for the current taxable year or any subsequent taxable year. While we do not anticipate becoming a PFIC, because our value of the assets for purposes of the asset test may be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of our ADSs or Class A ordinary shares may cause us to become a PFIC for the current or subsequent taxable years. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase.

Furthermore, because there are uncertainties in the application of the relevant rules, it is possible that the IRS may challenge our classification of certain income and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in our becoming a PFIC for the current or subsequent taxable years. Because PFIC status is a fact-intensive determination made on an annual basis and will depend upon the composition of our assets and income and the value of our tangible and intangible assets from time to time, no assurance can be given that we will not become a PFIC in a subsequent taxable year. In particular, if we are a PFIC for any year during which a U.S. Holder holds our ADSs or Class A ordinary shares, we generally will continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder holds our ADSs or Class A ordinary shares unless we cease to be a PFIC and the U.S. Holder makes a “deemed sale” election with respect to the ADSs or Class A ordinary shares.

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

- the excess distribution and/or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or Class A ordinary shares;

- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are a PFIC, or pre-PFIC year, will be taxable as ordinary income; and
- the amount allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the individuals or corporations, as appropriate, for that year and will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, our ADSs or Class A ordinary shares generally will continue to be treated as shares in a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Class A ordinary shares, unless we cease to be a PFIC and such U.S. Holder makes a "deemed sale" election with respect to their ADSs or Class A ordinary shares. If a U.S. Holder makes a deemed sale election, such U.S. Holder will be deemed to have sold their ADSs or Class A ordinary shares at fair market value as of the last day of the last year during which we were a PFIC. Any gain from such deemed sale would be taxed as an excess distribution as described above. U.S. Holders should consult their tax advisors regarding our possible status as a PFIC as well as the benefit of making a deemed sale election.

As an alternative to the foregoing rules, if we are a PFIC, a U.S. Holder of "marketable stock" may make a mark-to-market election with respect to our ADSs, but not our Class A ordinary shares, provided that the ADSs continue to be listed on the NYSE and continue to be regularly traded. The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter, or "regularly traded" on a qualified exchange or other market, as defined in applicable Treasury regulations. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election and we cease to be a PFIC, the holder will not be required to take into account the mark-to-market gain or loss described above during any period that we are not a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs or Class A ordinary shares during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs or Class A ordinary shares (or any portion thereof) and has not previously determined to make a mark-to-market election, and who is now considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or Class A ordinary shares.

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

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

If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must file an annual report, Form 8621 with the U.S. Internal Revenue Service. U.S. Holders should consult their tax advisors concerning the United States federal income tax consequences of purchasing, holding, and disposing ADSs or Class A ordinary shares if we are or become a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

Dividends

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

Individuals and other non-corporate recipients of dividend income generally will be subject to tax on dividend income from a “qualified foreign corporation” on dividends paid on our ADSs at a lower applicable capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period and other requirements are met. We generally will be considered to be a qualified foreign corporation (i) with respect to any dividend we pay on our ADSs or Class A ordinary shares that are readily tradable on an established securities market in the United States, or if we are eligible for the benefits of a comprehensive tax treaty with the United States that the Secretary of Treasury of the United States determines is satisfactory for this purpose and includes an exchange of information program and (ii) we are neither a passive foreign investment company nor treated as such with respect to a U.S. Holder (as discussed above) for the taxable year in which the dividend was paid and the preceding taxable year. Because (i) U.S. Treasury guidance indicates that ADSs representing ordinary shares, such as ours, listed on the NYSE are considered to be readily tradable on an established securities market in the United States, and (ii) we believe that we were not a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2016 and we do not expect to be a PFIC in subsequent years, we believe that we are a qualified foreign corporation with respect to dividends paid on the ADSs, but not with respect to dividends paid on our ordinary shares. In the event we are deemed to be a resident enterprise under the PRC Enterprise Income Tax Law, we may be eligible for the benefits of the United States-PRC income tax treaty (which the U.S. Treasury Department has determined is satisfactory for this purpose) and we would be treated as a qualified foreign corporation with respect to dividends paid on our Class A ordinary shares or ADSs. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations.

For United States foreign tax credit purposes, dividends paid on our ADSs or Class A ordinary shares generally will be treated as income from foreign sources and generally will constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid, if any, on our ADSs or Class A ordinary shares. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any non-refundable foreign withholding taxes imposed on dividends received on our ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for United States federal income tax purposes in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Class A Ordinary Shares

A U.S. Holder will generally recognize capital gain or loss, if any, upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or Class A ordinary shares. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year. An individual U.S. Holder or other non-corporate U.S. Holder who has held the ADSs or ordinary shares for more than one year will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss recognized by a U.S. Holder will generally be treated as U.S. source income or loss for foreign tax credit purposes, which will generally limit the availability of foreign tax credits. However, in the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, and gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in China, such gain may be treated as PRC source gain for foreign tax credit purposes under the United States-PRC income tax treaty. The deductibility of a capital loss may be subject to limitations. U.S. Holders should consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Information Reporting and Backup Withholding

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

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

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

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC our registration statement on Form F-1 (Registration No. 333-191424), as amended, including the prospectus contained therein, to register our ordinary shares in relation to our initial public offering and our registration statement on Form F-1 (File Number: 333-194610), as amended, including the prospectus contained therein, to register our ordinary shares in relation to a follow-on public offering. We have also filed with the SEC a related registration statement on F-6 (Registration No. 333-191776) to register the ADSs.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC, including filing annually a Form 20-F within four months after the end of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

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

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Our operating transactions and assets and liabilities are mainly denominated in Renminbi. The Renminbi is not freely convertible into foreign currencies for capital account transactions. The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably, and in recent years the Renminbi has depreciated significantly against the U.S. dollar. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. The net foreign exchange loss recognized in 2016 was insignificant. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to excess cash invested in fixed rate term deposits and variable rate short-term financial products with original maturities of less than a year. Investments in both fixed rate and variable rate interest-earning instruments carry a degree of interest rate risk. Fixed rate instruments may have their fair market value adversely impacted due to a rise in interest rates, while variable rate instruments may produce less income than expected if interest rates fall. Due in part to these factors, our future interest income and investment income may fall short of expectations due to changes in market interest rates. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates, and therefore have not used any derivative financial instruments to manage our interest risk exposure.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depository Shares

Fees and Charges Our ADS Holders May Have to Pay

Holders of our ADSs will be required to pay the following service fees to the depository bank:

Service	Fees
• Issuance of ADSs	Up to U.S. 5¢ per ADS issued
• Cancellation of ADSs	Up to U.S. 5¢ per ADS canceled
• Distribution of cash dividends or other cash distributions	Up to U.S. 5¢ per ADS held
• Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights.	Up to U.S. 5¢ per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
• Depository Services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depository bank

Holders of our ADSs will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

- fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares);
- expenses incurred for converting foreign currency into U.S. dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities (i.e., when ordinary shares are deposited or withdrawn from deposit); and
- fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

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

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

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

The fees and charges holders of our ADSs may be required to pay may vary over time and may be changed by us and by the depositary bank. Holders of our ADSs will receive prior notice of such changes.

Fees and Other Payments Made by the Depositary to Us

The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADR program established pursuant to the deposit agreement, by making available a portion of the depositary fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank may agree from time to time. We received a reimbursement of US\$1.2 million from the depositary in 2016.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

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

Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1, as amended (File Number: 333-191424), which became effective on October 30, 2013.

We received net proceeds of approximately US\$200.0 million from our initial public offering. These net proceeds were fully applied in following investing activities:

- approximately US\$185.4 million for the purchase of new office buildings; and
- the remainder for the purchase of long-term investments.

We have fully applied the net proceeds from our initial public offering as of the date of this annual report.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2016, the end of the period covered by this annual report.

Based upon that evaluation, our management has concluded that, as of December 31, 2016, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officers and chief financial officer, to allow timely decisions regarding required disclosure. The material weakness in internal control over financial reporting reported in 2015 that existed in our disclosure controls and procedures was effectively remediated, and the material weakness no longer existed as of December 31, 2016. We are committed to monitoring the effectiveness of these measures and making any changes that are necessary and appropriate in the future.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles, including those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and 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.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the SEC, our management, including our chief executive officer and chief financial officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2016 using the criteria set forth in the report “Internal Control — Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission (known as COSO).

Our management has concluded that we maintained effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, as stated in their report which is included in Item 18 of this annual report.

Remediation of Material Weaknesses in Internal Control over Financial Reporting Reported in 2015

In connection with our management’s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015, we identified one “material weakness” in our internal control over financial reporting, as defined in the standards established by the PCAOB. The material weakness identified related to the lack of adequate resources with an appropriate level of knowledge in U.S. GAAP to properly account for significant complex transactions under U.S. GAAP. As a result, certain significant complex transactions in 2015 were not initially accounted for properly.

During 2016, we designed and implemented remedial measures to address the material weakness referred to above. The remedial measures that we implemented are as follows: (1) we hired a senior vice president in October 2015 who has relevant U.S. GAAP and SEC financial reporting knowledge and experiences and he started to lead and supervise the finance team to assist the chief financial officer to enhance the core finance team’s U.S. GAAP knowledge in 2016; (2) we hired an additional financial reporting manager, who obtained her U.S. CPA qualification in the State of New Hampshire in May 2013 and her working experiences in public accounting firm, to enhance the capability of the finance team; (3) we continually provided internal or external trainings on U.S. GAAP and SEC filing requirements to financial staff throughout the year; (4) we updated the comprehensive accounting manual to provide proper guidance for the company’s accounting treatment on complex transactions; and (5) we timely performed accounting assessment and documentation for new significant complex transactions appropriately in accordance with relevant U.S. GAAP guidance.

We consider that the actions we have taken, as listed above, have remediated the material weakness referred to the above, and strengthened our internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2016.

Changes in Internal Control over Financial Reporting

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

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Herman Yu qualifies as an audit committee financial expert and that Herman Yu qualifies as an independent director (under the standards set forth under Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act).

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers, employees and advisors, which became effective in November 2013. We have posted a copy of our code of business conduct and ethics on our website at www.58.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by the categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm for the years ended December 31, 2015 and 2016. We did not pay any other fees to our auditors during the periods indicated below.

	2015 (in thousands of RMB)	2016 (in thousands of RMB)
Audit fees ⁽¹⁾	20,865	19,000
Tax fees ⁽²⁾	319	—
Other fees ⁽³⁾	1,876	—

(1) "Audit fees" represent the aggregate fees for professional services rendered by our principal auditors for the audit of our annual consolidated financial statements, review of quarterly financial information, and audit services that are normally provided by the principal accountant in connection with regulatory filings or engagements.

(2) "Tax fees" represent the aggregate fees for professional services rendered by our principal auditors for tax compliance, tax advice and tax planning.

(3) "Other fees" represent the aggregate fees for services rendered other than services reported under "Audit fees" and "Tax fees" above.

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

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the NYSE, we are subject to the NYSE corporate governance listing standards. Among other things, Section 303A.08 of the NYSE Listed Company Manual requires shareholder approval of material revisions to equity-compensation plans and Section 312.03 (c) of the NYSE Listed Company Manual requires shareholder approval of new share issuances above the 20% threshold specified therein. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from the NYSE corporate governance listing standards. We have elected to follow the Cayman Islands practices with respect to the amendment of our 2013 Plan to increase the total number of ordinary shares that may be issued pursuant to awards granted under the plan by 7,000,000 Class B ordinary shares in April 2015. In addition, we have also elected to follow the Cayman Islands practices with respect to the issuance of new ordinary shares above the 20% threshold to Tencent and former shareholders of Ganji in April 2015 and the issuance of new ordinary shares above the 20% threshold to certain private equity funds and issuance of a convertible promissory note to Tencent in July 2015, as specified in Section 312.03(c). We have followed the home country practice and obtained the board approval but not shareholder approval for amending our 2013 Plan and the share issuances as described above.

Other than the matters described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under the NYSE Listed Company Manual.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

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

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of 58.com Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Third 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. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
2.1	Registrant's Specimen American Depository Receipt (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
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. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
2.3	Deposit Agreement dated October 31, 2013, among the Registrant, the depositary and holders of the American Depository Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-194873), initially filed with the Security and Exchange Commission on March 28, 2014).
2.4	Amended and Restated Shareholders' Agreement dated as of August 4, 2011 among the Registrant, its ordinary shareholders and preference shareholders (incorporated herein by reference to Exhibit 4.5 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.1	2010 Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.2	2013 Share Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.3	Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.4	Form of Employment Agreement between the Registrant and an executive officer of the Registrant (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.5	English translation of the Amended and Restated Exclusive Business Cooperation Agreement between Beijing Chengshi Wanglin Information Technology Co., Ltd. and Beijing 58 Information Technology Co., Ltd. dated October 10, 2011 (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.6	English translation of the Equity Interest Pledge Agreements, as amended and restated, among Beijing Chengshi Wanglin Information Technology Co., Ltd., Beijing 58 Information Technology Co., Ltd. and each of the shareholders of Beijing 58 Information Technology Co., Ltd. dated June 28, 2013 (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).

**Exhibit
Number**

Description of Document

4.7	English translation of the Exclusive Option Agreements, as amended and restated, among Beijing Chengshi Wanglin Information Technology Co., Ltd., Beijing 58 Information Technology Co., Ltd. and each of the shareholders of Beijing 58 Information Technology Co., Ltd. dated June 28, 2013 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.8	English translation of Power of Attorney issued by each of the shareholders of Beijing 58 Information Technology Co., Ltd. dated June 28, 2013 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.9	English translation of Loan Agreements between Beijing Chengshi Wanglin Information Technology Co., Ltd. and each of the individual shareholders of Beijing 58 Information Technology Co., Ltd. (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
4.10	Investor Rights Agreement, dated June 30, 2014, between the Registrant, Ohio River Investment Limited, Nihao China Corporation and Jinbo Yao (incorporated herein by reference to Exhibit 4.14 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2015).
4.11	English Summary of Cooperation Agreement, dated September 25, 2014, by and between Beijing Electronics Zone Investment and Development Co., Ltd. and Beijing Chengshi Wanglin Information Technology Co., Ltd. (incorporated herein by reference to Exhibit 4.13 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.12	Share Purchase Agreement, dated February 28, 2015, by and among the Registrant, Anjuke Inc. and the other parties named therein (incorporated herein by reference to Exhibit 4.14 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.13	Share Purchase Agreement, dated April 17, 2015, by and among the Registrant and certain selling shareholders of Falcon View Technology (incorporated herein by reference to Exhibit 4.15 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.14	Registration Rights Agreement, dated April 20, 2015, by and among the Registrant and parties set forth in Schedule 1 thereto (incorporated herein by reference to Exhibit 4.16 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.15	Investment Agreement, dated April 17, 2015, between the Registrant and Ohio River Investment Limited (incorporated herein by reference to Exhibit 99.1 of the Schedule 13D/A (File No. 005-87683) filed with the Securities and Exchange Commission on April 20, 2015).
4.16	Xiaoxiang International Technology Venture Capital LP Subscription Agreement, dated July 29, 2015, between Dream Wizard Inc. and Xiaoxiang International Technology Venture Capital LP (incorporated herein by reference to Exhibit 4.18 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.17	Goliath Internet Opportunities, L.P. Subscription Agreement, dated July 31, 2015, between Dream Wizard Inc. and Goliath Internet Opportunities, L.P. (incorporated herein by reference to Exhibit 4.19 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).

**Exhibit
Number**

Description of Document

4.18	Zero2IPO Partners I, L.P. Subscription Agreement, dated August 3, 2015, between Dream Wizard Inc. and Zero2IPO Partners I, L.P. (incorporated herein by reference to Exhibit 4.20 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.19	Bridge Loan Agreement, dated July 31, 2015, between the Registrant and Ohio River Investment Limited (incorporated herein by reference to Exhibit 1 of the Schedule 13D/A (File No. 005-87683) filed with the Securities and Exchange Commission on August 5, 2015).
4.20	Convertible Promissory Note, dated July 31, 2015, issued to Ohio River Investment Limited by the Registrant (incorporated herein by reference to Exhibit 2 of the Schedule 13D/A (File No. 005-87683) filed with the Securities and Exchange Commission on August 5, 2015).
4.21	Amendment to Bridge Loan Agreement, dated December 11, 2015, between the Registrant and Ohio River Investment Limited (incorporated herein by reference to Exhibit 1 of the Schedule 13D/A (File No. 005-87683) filed with the Securities and Exchange Commission on December 15, 2015).
4.22	Convertible Promissory Note, dated December 11, 2015, issued to Ohio River Investment Limited by the Registrant (incorporated herein by reference to Exhibit 2 of the Schedule 13D/A (File No. 005-87683) filed with the Securities and Exchange Commission on December 15, 2015).
4.23	Series A Preferred Shares Subscription Agreement, dated October 12, 2015, by and among the Registrant, 58 Daojia Inc. and other parties named therein (incorporated herein by reference to Exhibit 4.25 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.24	English translation of the Exclusive Business Cooperation Agreement between Beijing 58 Daojia Information Technology Co., Ltd. and Tianjin 58 Daojia Home Services Co., Ltd. dated August 5, 2015 (incorporated herein by reference to Exhibit 4.26 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.25*	English translation of the Amended and Restated Equity Interest Pledge Agreements among Beijing 58 Daojia Information Technology Co., Ltd., Tianjin 58 Daojia Home Services Co., Ltd. and each of the shareholders of Tianjin 58 Daojia Home Services Co., Ltd. dated August 5, 2015 and July 4, 2016.
4.26*	English translation of the Amended and Restated Exclusive Option Agreements among Beijing 58 Daojia Information Technology Co., Ltd., Tianjin 58 Daojia Home Services Co., Ltd. and each of the shareholders of Tianjin 58 Daojia Home Services Co., Ltd. dated August 5, 2015 and July 4, 2016.
4.27*	English translation of the Amended and Restated Power of Attorney issued by each of the shareholders of Tianjin 58 Daojia Home Services Co., Ltd. dated August 5, 2015 and July 4, 2016.
4.28*	English translation of the Amended and Restated Loan Agreements between Beijing 58 Daojia Information Technology Co., Ltd. and each of the shareholders of Tianjin 58 Daojia Home Services Co., Ltd. dated August 5, 2015 and July 4, 2016.
4.29	English translation of the Exclusive Business Cooperation Agreement between Beijing Yangguang Gudi Science Development Co., Ltd. and Beijing Shanjing Kechuang Network Technology Co., Ltd. dated August 6, 2015 (incorporated herein by reference to Exhibit 4.31 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.30	English translation of the Equity Interest Pledge Agreements among Beijing Yangguang Gudi Science Development Co., Ltd., Beijing Shanjing Kechuang Network Technology Co., Ltd. and each of the shareholders of Beijing Shanjing Kechuang Network Technology Co., Ltd. dated August 6, 2015 (incorporated herein by reference to Exhibit 4.22 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.31	English translation of the Exclusive Option Agreements among Beijing Yangguang Gudi Science Development Co., Ltd., Beijing Shanjing Kechuang Network Technology Co., Ltd. and each of the shareholders of Beijing Shanjing Kechuang Network Technology Co., Ltd. dated August 6, 2015 (incorporated herein by reference to Exhibit 4.33 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).

**Exhibit
Number**

Description of Document

4.32	English translation of Power of Attorney issued by each of the shareholders of Beijing Shanjing Kechuang Network Technology Co., Ltd. dated August 6, 2015 (incorporated herein by reference to Exhibit 4.34 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.33	English translation of Loan Agreements between Beijing Yangguang Gudi Science Development Co., Ltd. and each of the shareholders of Beijing Shanjing Kechuang Network Technology Co., Ltd. dated August 6, 2015 (incorporated herein by reference to Exhibit 4.36 of the Registrant's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2016).
4.34*	English translation of Offshore Credit Agreement between China Merchants Bank., Ltd. and the Registrant dated March 30, 2016
4.35*	Share Subscription Agreement, dated April 18, 2017, by and among the Registrant, Magic Heart Inc., Zhuan Spirit Holdings Limited and Tencent Mobility Limited
8.1*	Principal subsidiaries of the Registrant
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. 333-191424), as amended, initially filed with the Security and Exchange Commission on September 27, 2013).
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, Independent Registered Public Accounting Firm
15.2*	Consent of Han Kun Law Offices
99.1***	Consolidated Financial Statements of 58 Daojia Inc. as of December 31, 2015 and for the period November 27 to December 31, 2015
99.2***	Consolidated Financial Statements of 58 Daojia Inc. as of and for the year ended December 31, 2016
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 Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith

*** To be filed by amendment within six months of December 31, 2016

SIGNATURES

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

58.com Inc.

By: /s/ Jinbo Yao

Name: Jinbo Yao

Title: Chairman and Chief Executive Officer

Date: May 1, 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2015 and 2016	F-3
Consolidated Statements of Comprehensive Income/(Loss) for the Years Ended December 31, 2014, 2015 and 2016	F-4
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2014, 2015 and 2016	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2015 and 2016	F-6
Notes to the Consolidated Financial Statements	F-7

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of 58.com Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income/(loss), of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of 58.com Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2(c) to the consolidated financial statements, effective December 31, 2016, the Company changed its reporting currency of the consolidated financial statements from U.S. dollar to Renminbi.

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

May 1, 2017

58.com Inc.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2015 and 2016
(in thousands, except share data and per share data, unless otherwise noted)

	As of December 31		
	2015	2016	2016
	RMB	RMB	US\$ Note 2(c)
ASSETS			
Current assets:			
Cash and cash equivalents	3,138,387	1,200,457	173,051
Restricted cash	31,436	1,151,940	166,057
Term deposits	—	26,361	3,800
Short-term investments	267,650	833,480	120,150
Accounts receivable (net of allowance for doubtful accounts of RMB38,214 and RMB51,719 as of December 31, 2015 and 2016, respectively)	350,860	424,892	61,250
Prepayments and other current assets	499,214	426,056	61,418
Total current assets	4,287,547	4,063,186	585,726
Non-current assets:			
Property and equipment, net	799,315	1,480,921	213,481
Intangible assets, net	1,762,725	1,532,228	220,878
Land use rights, net	3,844	3,766	543
Goodwill	15,982,000	15,903,677	2,292,587
Long-term investments	2,510,280	2,118,461	305,386
Long-term prepayments and other non-current assets	1,034,583	223,767	32,257
Total non-current assets	22,092,747	21,262,820	3,065,132
Total assets	26,380,294	25,326,006	3,650,858
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	1,785,740	1,842,720	265,636
Accounts payable (including accounts payable of the consolidated variable interest entities ("VIEs") without recourse to the Company of RMB164,032 and RMB199,618 as of December 31, 2015 and 2016, respectively)	659,977	611,947	88,215
Deferred revenues (including deferred revenues of the consolidated VIEs without recourse to the Company of RMB749,997 and RMB859,956 as of December 31, 2015 and 2016, respectively)	1,344,563	1,845,846	266,087
Customer advances (including customer advances of the consolidated VIEs without recourse to the Company of RMB378,371 and RMB296,595 as of December 31, 2015 and 2016, respectively)	981,429	1,236,076	178,186
Taxes payable (including taxes payable of the consolidated VIEs without recourse to the Company of RMB17,471 and RMB14,740 as of December 31, 2015 and 2016, respectively)	66,336	62,084	8,950
Salary and welfare payable (including salary and welfare payable of the consolidated VIEs without recourse to the Company of RMB251,826 and RMB254,958 as of December 31, 2015 and 2016, respectively)	513,742	553,506	79,790
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to the Company of RMB79,012 and RMB205,441 as of December 31, 2015 and 2016, respectively)	2,181,205	727,904	104,931
Total current liabilities	7,532,992	6,880,083	991,795
Non-current liabilities:			
Long-term loan	—	150,000	21,623
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs without recourse to the Company of RMB376,893 and RMB329,611 as of December 31, 2015 and 2016, respectively)	430,117	373,810	53,886
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to the Company of RMB2,000 and RMB nil as of December 31, 2015 and 2016, respectively)	25,928	69,937	10,082
Total non-current liabilities	456,045	593,747	85,591
Total liabilities	7,989,037	7,473,830	1,077,386
Commitments and contingencies (Note 25)			
Mezzanine equity:			
Mezzanine classified noncontrolling interests	97,647	86,457	12,463
Total mezzanine equity	97,647	86,457	12,463
Shareholders' equity:			
58.com Inc. shareholders' equity			
Ordinary shares (US\$0.00001 par value, 5,000,000,000 (including 4,800,000,000 Class A and 200,000,000 Class B) and 5,000,000,000 (including 4,800,000,000 Class A and 200,000,000 Class B) shares authorized, 283,068,677 (including 219,413,764 Class A and 63,654,913 Class B) and 289,670,997 (including 240,930,737 Class A and 48,740,260 Class B) shares issued and outstanding as of December 31, 2015 and 2016, respectively)	18	18	3
Additional paid-in capital	20,602,657	20,907,599	3,013,925
Accumulated deficit	(2,302,688)	(3,070,735)	(442,660)
Accumulated other comprehensive loss	(52,455)	(138,597)	(19,980)
Total 58.com Inc. shareholders' equity	18,247,532	17,698,285	2,551,288
Noncontrolling interests	46,078	67,434	9,721
Total shareholders' equity	18,293,610	17,765,719	2,561,009
Total liabilities, mezzanine equity and shareholders' equity	26,380,294	25,326,006	3,650,858

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

58.com Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
For the Years Ended December 31, 2014, 2015 and 2016
(in thousands, except share, per share and per ADS data, unless otherwise noted)

	For the Year Ended December 31,			
	2014 RMB	2015 RMB	2016 RMB	2016 US\$ Note 2(c)
Revenues:				
Membership	857,017	1,859,987	2,951,135	425,419
Online marketing services	768,316	2,414,906	4,363,777	629,058
E-commerce services	—	144,930	166,753	24,038
Other services	2,787	58,275	110,462	15,924
Total revenues	1,628,120	4,478,098	7,592,127	1,094,439
Cost of revenues⁽¹⁾	(85,081)	(322,016)	(707,237)	(101,951)
Gross profit	1,543,039	4,156,082	6,884,890	992,488
Operating expenses⁽¹⁾:				
Sales and marketing expenses	(1,106,689)	(4,316,217)	(4,941,380)	(712,322)
Research and development expenses	(268,336)	(760,796)	(1,107,897)	(159,708)
General and administrative expenses	(126,709)	(659,284)	(601,906)	(86,767)
Total operating expenses	(1,501,734)	(5,736,297)	(6,651,183)	(958,797)
Income/(loss) from operations	41,305	(1,580,215)	233,707	33,691
Other income/(expenses):				
Interest income	52,399	26,098	24,755	3,569
Interest expense	—	(52,146)	(73,395)	(10,580)
Investment income/(loss), net	62,938	(172,728)	(145,411)	(20,962)
Share of results of equity investees	—	(717,616)	(926,740)	(133,594)
Gain on deconsolidation and disposal of businesses	—	765,072	79,581	11,472
Foreign currency exchange loss, net	(15,335)	(11,196)	(3,727)	(537)
Others, net	36,214	45,362	(12,713)	(1,833)
Income/(loss) before tax	177,521	(1,697,369)	(823,943)	(118,774)
Income tax benefits/(expenses)	(38,088)	48,786	50,980	7,349
Net income/(loss)	139,433	(1,648,583)	(772,963)	(111,425)
Add: Net loss attributable to noncontrolling interests	—	80,705	4,916	709
Less: Deemed dividend to mezzanine classified noncontrolling interests	—	(5,762)	(15,717)	(2,266)
Net income/(loss) attributable to 58.com Inc.	139,433	(1,573,640)	(783,764)	(112,982)
Net income/(loss)	139,433	(1,648,583)	(772,963)	(111,425)
Other comprehensive loss:				
Foreign currency translation adjustment, net of nil tax	(3,192)	(69,708)	(76,027)	(10,960)
Unrealized gain/(loss) on available-for-sale securities	(6,804)	16,919	(13,104)	(1,889)
Reclassification into investment loss, net of nil tax	—	—	2,989	431
Total comprehensive income/(loss)	129,437	(1,701,372)	(859,105)	(123,843)
Net earnings/(loss) per ordinary share attributable to ordinary shareholders - basic	0.83	(6.70)	(2.73)	(0.39)
Net earnings/(loss) per ordinary share attributable to ordinary shareholders - diluted	0.80	(6.70)	(2.73)	(0.39)
Net earnings/(loss) per ADS attributable to ordinary shareholders - basic (One ADS represents two ordinary shares)	1.65	(13.40)	(5.46)	(0.79)
Net earnings/(loss) per ADS attributable to ordinary shareholders - diluted (One ADS represents two ordinary shares)	1.60	(13.40)	(5.46)	(0.79)
Weighted average number of ordinary shares used in computing basic earnings/(loss) per share	168,589,273	234,811,986	286,975,068	286,975,068
Weighted average number of ordinary shares used in computing diluted earnings/(loss) per share	174,024,997	234,811,986	286,975,068	286,975,068

Note:

(1) Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,			
	2014 RMB	2015 RMB	2016 RMB	2016 US\$ Note 2(c)
Cost of revenues	109	760	490	71
Sales and marketing expenses	8,579	44,049	59,017	8,508
Research and development expenses	14,772	59,314	98,515	14,201
General and administrative expenses	14,473	72,482	108,553	15,648

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

58.com Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2014, 2015 and 2016
(in thousands, except share data and per share data, unless otherwise noted)

	Ordinary shares		Additional paid-in capital		Accumulated other comprehensive income/(loss)		Noncontrolling interest		Total shareholders' equity
	Shares*	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2013	158,876,693	10	2,206,945	(874,243)	10,330				1,343,042
Net income	—	—	—	139,433	—				139,433
Share-based compensation	—	—	37,933	—	—				37,933
Exercise of share options	4,297,268	—	20,321	—	—				20,321
Foreign currency translation adjustment, net of nil tax	—	—	—	—	(3,192)				(3,192)
Unrealized loss on available-for-sale securities	—	—	—	—	(6,804)				(6,804)
Issuance of ordinary shares upon follow-on offering, net of issuance costs of RMB7,712	4,000,000	—	441,379	—	—				441,379
Issuance of ordinary shares to Tencent Holdings Limited ("Tencent"), net of issuance costs of RMB644	36,805,000	2	4,530,564	—	—				4,530,566
Repurchase of ordinary shares from pre-IPO shareholders	(27,603,750)	(1)	(3,398,406)	—	—				(3,398,407)
Balance as of December 31, 2014	<u>176,375,211</u>	<u>11</u>	<u>3,838,736</u>	<u>(734,810)</u>	<u>334</u>				<u>3,104,271</u>
Net loss	—	—	—	(1,567,878)	—	—	(80,705)	(1,648,583)	
Share-based compensation	—	—	174,749	—	—		1,856	176,605	
Exercise of share options and restricted share units	1,657,086	—	21,583	—	—				21,583
Foreign currency translation adjustment, net of nil tax	—	—	—	—	(69,708)				(69,708)
Unrealized gain on available-for-sale securities	—	—	—	—	16,919				16,919
Issuance of ordinary shares to Tencent	19,651,960	1	3,305,017	—	—				3,305,018
Equity consideration for acquisition of Anjuke Inc. ("Anjuke")	4,839,372	—	577,961	—	—				577,961
Equity consideration for equity investment in Falcon View Technology ("Ganji")	34,039,136	3	5,586,104	—	—				5,586,107
Equity consideration for step acquisition of Ganji	46,505,912	3	7,107,130	—	—				7,107,133
Subsequent settlement of receivables from option holders	—	—	873	—	—				873
Deconsolidation of 58 Daojia Inc. ("58 Home")	—	—	—	—	—		(3,838)	(3,838)	
Deemed dividend to mezzanine classified noncontrolling interests	—	—	(5,762)	—	—				(5,762)
Acquisition of noncontrolling interests in subsidiaries	—	—	—	—	—		47,693	47,693	
Compensation to noncontrolling shareholders resulting from waiver of receivables from 58 Home	—	—	—	—	—		77,338	77,338	
Other	—	—	(3,734)	—	—		3,734	—	
Balance as of December 31, 2015	<u>283,068,677</u>	<u>18</u>	<u>20,602,657</u>	<u>(2,302,688)</u>	<u>(52,455)</u>	<u>46,078</u>			<u>18,293,610</u>
Net loss	—	—	—	(768,047)	—	(4,916)	—	(772,963)	
Share-based compensation	—	—	256,153	—	—		10,422	266,575	
Exercise of share options and restricted share units	6,602,320	—	20,942	—	—				20,942
Foreign currency translation adjustment, net of nil tax	—	—	—	—	(76,027)				(76,027)
Unrealized loss on available-for-sale securities	—	—	—	—	(13,104)				(13,104)
Reclassification into investment loss, net of nil tax	—	—	—	—	2,989				2,989
Subsequent settlement of receivables from option holders	—	—	20,115	—	—				20,115
Deemed dividend to mezzanine classified noncontrolling interests	—	—	(15,717)	—	—				(15,717)
Capital injection from noncontrolling interest shareholder	—	—	198	—	—		28,037	28,235	
Disposal of Mighty Talent Limited ("Mayi")	—	—	23,251	—	—		(12,187)	11,064	
Balance as of December 31, 2016	<u>289,670,997</u>	<u>18</u>	<u>20,907,599</u>	<u>(3,070,735)</u>	<u>(138,597)</u>	<u>67,434</u>			<u>17,765,719</u>

* Ordinary shares include Class A ordinary shares and Class B ordinary shares, please refer to Note 22.

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

58.com Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014, 2015 and 2016
(in thousands, except share data, unless otherwise noted)

	For the Year Ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$ Note 2(c)
Cash flows from operating activities:				
Net income/(loss)	139,433	(1,648,583)	(772,963)	(111,425)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:				
Share-based compensation expenses	37,933	176,605	266,575	38,428
Depreciation and amortization expenses	34,438	209,144	406,827	58,646
Investment (income)/loss	(13,189)	230,619	(149)	(21)
Share of results of equity investees	—	717,616	926,740	133,594
Interest expense	—	52,146	73,395	10,580
Loss upon conversion of Guazi Convertible Note	—	—	84,177	12,134
Interest income from Guazi Convertible Note	—	—	(17,503)	(2,523)
Allowance for doubtful accounts and other current assets write-off	—	12,026	56,617	8,162
Compensation to noncontrolling shareholders resulting from waiver of receivables from 58 Home	—	77,338	—	—
Bargain purchase gain	—	(10,641)	—	—
Gain on deconsolidation and disposal of businesses	—	(765,072)	(79,581)	(11,472)
Impairment loss of long-term investments and other non-current assets	—	6,119	172,125	24,813
Loss/(income) on disposal of property and equipment	248	3,814	(463)	(67)
Deferred income taxes	—	(34,759)	(56,358)	(8,124)
Foreign currency exchange loss, net	15,335	11,196	3,727	537
Changes in operating assets and liabilities, net of acquisitions and disposals:				
Accounts receivable	(12,269)	(166,185)	(87,769)	(12,652)
Prepayments and other assets	(98,527)	(158,665)	(9,451)	(1,363)
Accounts payable	37,034	304,867	(38,522)	(5,553)
Deferred revenues	247,379	363,153	420,938	60,680
Customer advances	89,899	484,002	233,411	33,647
Salary and welfare payable	66,387	167,677	41,086	5,923
Taxes payable	31,428	4,060	(4,078)	(588)
Accrued expenses and other liabilities	31,188	162,061	269,068	38,787
Net cash provided by operating activities	606,717	198,538	1,887,849	272,143
Cash flows from investing activities:				
Purchase of property and equipment	(199,631)	(1,255,553)	(212,449)	(30,625)
Purchase of intangible assets	—	(5,472)	(667)	(96)
Cash received for disposal of property and equipment	271	1,423	364	52
Purchase of land use rights	—	(3,843)	—	—
Purchase of long-term investments	(146,164)	(502,764)	(168,741)	(24,325)
Changes in restricted cash	—	—	(1,148,498)	(165,561)
Cash paid to term deposits and other advances	(2,360,475)	(122,274)	(181,160)	(26,115)
Proceeds from maturity of term deposits	1,543,263	2,003,584	10,530	1,518
Purchase of short-term investments	(4,011,438)	(2,951,880)	(9,701,600)	(1,398,530)
Proceeds from maturity of short-term investments	3,289,146	4,401,792	9,120,873	1,314,815
Cash paid for acquisition of Anjuke, net of acquisition of cash	—	(766,455)	(190,868)	(27,514)
Cash paid for equity investment in Ganji	—	(1,776,677)	(806,383)	(116,244)
Cash paid for step-acquisition of Ganji, net of acquisition of cash	—	(1,501,830)	(662,722)	(95,534)
Cash received/(paid) for acquisitions of other subsidiaries, net of acquisition of cash	997	(266,175)	(479)	(69)
Net cash received/(paid) upon deconsolidation and disposal of businesses	—	289,562	(6,227)	(898)
Purchase of convertible note issued by Guazi.com Inc. ("Guazi")	—	(324,680)	—	—
Net cash used in investing activities	(1,884,031)	(2,781,242)	(3,948,027)	(569,126)
Cash flows from financing activities:				
Proceeds from exercise of share options	20,203	21,390	21,131	3,046
Proceeds from short-term loans	—	2,457,240	2,853,303	411,317
Repayment of short-term loans	—	—	(2,994,038)	(431,604)
Proceeds from long-term loan	—	—	150,000	21,623
Proceeds from issuance of 4,000,000 Class A ordinary shares in follow-on offering	449,091	—	—	—
Proceeds from issuance of ordinary shares to Tencent	4,532,020	2,452,080	—	—
Payments for repurchase of ordinary share from pre-IPO shareholders	(3,399,015)	—	—	—
Payment for issuance expenses	(17,414)	—	—	—
Capital injection from noncontrolling interest shareholders	—	—	28,235	4,070
Net cash provided by financing activities	1,584,885	4,930,710	58,631	8,452
Effect of exchange rate changes on cash and cash equivalents	5,113	108,872	63,617	9,170
Net increase/(decrease) in cash and cash equivalents	312,684	2,456,878	(1,937,930)	(279,361)
Cash and cash equivalents at the beginning of the year	368,825	681,509	3,138,387	452,412
Cash and cash equivalents at the end of the year	681,509	3,138,387	1,200,457	173,051
Supplemental disclosure of cash flow information:				
Income tax paid/(refund), net	7,349	(7,078)	3,541	510
Interest expense paid	—	—	74,861	10,792
Supplemental disclosure of non-cash activities:				
Property and equipment in accounts payable	11,095	42,449	36,967	5,329
Deemed dividend to mezzanine classified noncontrolling interests	—	5,762	15,717	2,266
Equity consideration for acquisition of Anjuke	—	577,961	—	—
Equity consideration for equity investment in Ganji	—	5,586,107	—	—
Equity consideration for step acquisition of Ganji	—	7,107,133	—	—
Cash consideration payable for acquisition of Anjuke	—	188,068	—	—
Cash consideration payable for equity investment in Ganji	—	794,901	—	—
Cash consideration payable for step acquisition of Ganji	—	982,923	—	—
Early repayment of convertible note by issuance of ordinary share to Tencent	—	852,938	—	—

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

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

1. Organization and principal activities

a. Background

58.com Inc. (the "Company"), through its consolidated subsidiaries, including wholly-foreign owned enterprises ("WFOEs"), variable interest entities ("VIEs") and VIEs' subsidiaries (collectively, the "Group"), is primarily engaged in the operation of an online marketplace serving local merchants and consumers in the People's Republic of China (the "PRC" or "China") through its websites 58.com, Ganji.com and Anjuke.com.

b. History of the Group and basis of presentation

The Company (formerly known as "China Classified Network (Cayman) Corporation") was incorporated as a limited liability company in the Cayman Islands in May 2011. Through a share exchange in July 2011, all the shareholders of China Classified Network Corporation ("CCNC BVI") exchanged all of their outstanding ordinary and preference shares of CCNC BVI for ordinary and preference shares of the Company on a one-for-one basis. As a result, CCNC BVI became a wholly owned subsidiary of the Company. Given there was no change in each shareholder's proportionate shareholdings and respective rights and obligations before and after the share exchange, the transaction was accounted for in a manner similar to a pooling-of-interest with the assets and liabilities stated at their historical amounts in the Company's consolidated financial statements.

The Group began its operations in China in December 2005 through Beijing 58, a PRC limited liability company founded by Mr. Jinbo Yao, the chief executive officer of the Group, and several angel investors (collectively, "the Founding Shareholders"). Other entities within the Group listed above were established by the shareholders of the Company to facilitate the Group to conduct overseas financing and in anticipation of the Company's initial public offering overseas.

Through a series of contemplated transactions in July 2006, Chengshi Wangxun (Beijing) Information Technology Co., Ltd., or Wangxun, was established to control Beijing 58 through contractual arrangements and to receive overseas financing from SB Asia Investment Fund II L.P. ("SAIF"). Through another series of contemplated transactions in 2010, CCNC BVI became the parent company of the Group and received additional overseas financing from DCM V.L.P. and DCM Affiliates Fund V.L.P. (collectively, the "DCM") via (i) the establishment of CCNC BVI, (ii) the repurchase and issuance of shares by CCNC BVI to provide shareholders with their prior proportionate equity interests in the Group, (iii) the establishment of subsidiaries CCIC HK and Wanglin, (iv) a change in Beijing 58's primary beneficiary from Wangxun to Wanglin, and (v) the issuance of preference shares to DCM. Throughout these reorganization transactions, the Group's business continued to be carried out by Beijing 58 without changes in senior management or changes in control of Beijing 58. Accordingly, pursuant to the guidance in Accounting Standards Codification ("ASC") 805, "Business Combinations", the new entities that were established to consolidate Beijing 58 were identified as the acquirees for accounting purposes and there was no change in financial statements preparation basis as the result of these reorganization transactions.

On October 31, 2013, the Company's ADSs commenced trading on the New York Stock Exchange. The Company completed its IPO on November 5, 2013, and raised RMB1,228,217 (US\$199,954) in proceeds after deducting underwriter commissions from the initial public offering of 12,650,000 ADSs, representing 25,300,000 Class A ordinary shares, at the price of US\$17.0 per ADS. Concurrently with the Company's IPO, the Company also raised RMB92,138 (US\$15,000) from DCM Hybrid RMB Fund, L.P., a fund affiliated with DCM V, L.P., the Company's existing shareholder, by private placement of 1,764,706 Class A ordinary shares at a price of US\$8.50 per share. As a result of the initial public offering and the concurrent private placement, the Company raised an aggregate of approximately RMB1,320,355 (US\$214,954) in net proceeds.

Upon the completion of the IPO, all of the Company's 87,566,599 outstanding preference shares were converted into and the 44,245,388 outstanding ordinary shares were designated as Class B ordinary shares immediately as of the same date at one-for-one basis.

Please refer to Note 22 for the dual class structure and also issuance of ordinary shares since the Company closed its IPO in November 2013.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

c. Acquisitions and disposals

In March 2015, the Company acquired Anjuke, a major online real estate listing platform in China, through the purchase of 100% equity interest in Anjuke Inc., a company incorporated under the laws of the Cayman Islands, for a combination of share consideration and cash, including approximately 4.8 million newly issued ordinary shares of the Company and RMB985,427 (US\$160,198) in cash. The Company also issued approximately 0.2 million fully vested restricted share units of the Company to former Anjuke employees as part of the share consideration.

In April 2015, the Company acquired less than 50% equity stake in Falcon View Technology, or Ganji, the holding company of the PRC entities operating *Ganji.com*, a major online local services platform in China, for a combination of share consideration and cash, including approximately 34.0 million newly issued ordinary shares of the Company (one American Depository Share, or "ADS", represents two ordinary shares) and RMB2,527,095 (US\$412,237) in cash.

Concurrent with the aforementioned acquisition of a strategic stake in Ganji and incremental to its then existing share ownership of the Company, Tencent purchased additional newly issued ordinary shares of the Company for RMB2,452,080 (US\$400,000) at a purchase price of US\$26.00 per ordinary share, equivalent to US\$52.00 per ADS.

In August 2015, the Company, as a limited partner, committed an aggregate of approximately 46.5 million newly issued ordinary shares and approximately RMB2,488,065 (US\$406,673) in cash to several private equity funds, of which approximately 46.5 million ordinary shares and RMB1,666,546 (US\$272,396) cash were contributed to the funds in August 2015. These funds are dedicated to investing in businesses in China and separately managed by different investment entities, as general partners, which are unaffiliated with each other and unaffiliated with the Company. These funds, together with Tencent, acquired all the remaining equity interest in Ganji in August 2015. The Company also transferred an aggregate of approximately 4.4 million fully vested restricted share units of the Company and approximately RMB311,825 (US\$50,967) in cash to former Ganji employees as part of the total consideration of step acquisition of Ganji. The Company considered that it has a controlling financial interest over the equity funds under the voting interest model, and as a result has consolidated Ganji since August 6, 2015.

In addition to business acquisition of Anjuke and Ganji, in 2015, the Group additionally entered into several acquisitions. All of these acquisitions are accounted for as business combinations because these acquisitions involved the Group obtaining control of one or more existing businesses in exchange for cash. Therefore, the Group accounts for them as business combinations using the purchase method of accounting. This method requires the acquisition cost to be allocated to the assets and liabilities acquired based on their fair values. The Group makes estimates and judgments in determining the fair value of the acquired assets and liabilities, with the assistance from an independent valuation firm. See Note 4—"Business acquisitions and equity investment transactions" for additional information.

In November 2015, the Company deconsolidated 58 Home upon the completion of issuance of Series A preference shares by 58 Home. Certain approval rights were granted to a noncontrolling preference shareholder of 58 Home in relation to (i) annual budget and (ii) employment of certain key management members of 58 Home, and such approval rights granted to the noncontrolling preference shareholder of 58 Home were considered as substantive participating rights in accordance with ASC 810-10. Accordingly, the Company deconsolidated 58 Home upon completion of the transaction and recognized a gain on deconsolidation of 58 Home of RMB292,849 (US\$45,998).

In December 2015, the Company divested its controlling ownership stake in Guazi, a subsidiary that operates its consumer-to-consumer (C2C) used car trading platform, to Mr. Mark Haoyong Yang, former co-chairman of the board of directors and co-chief executive officer for a cash consideration of RMB324,680 (US\$50,000). The Company concurrently used the proceeds of RMB324,680 (US\$50,000) to invest in a RMB324,680 (US\$50,000) non-interest bearing convertible note issued by Guazi (the "Guazi Convertible Note"), which is convertible into preference shares of Guazi to be issued in Guazi's subsequent round of financing at the same price paid by other investors. Upon completion of the transaction, the Group retained approximately 45.6% equity stake in Guazi and no longer had the control over Guazi. Therefore, the Group deconsolidated Guazi since December 31, 2015 and recognized a gain on disposal of Guazi of RMB472,223 (US\$73,240).

In March 2016, the Company converted the entire amount of Guazi Convertible Note into 62.5 million Series B1 convertible and redeemable preference shares of Guazi (the "Guazi Series B1 Shares") based on a conversion price of US\$0.80 per share. Please see Note 6 for details.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

In June 2016, the Company disposed its entire interest in Mayi, a majority-owned subsidiary, which operates online C2C short stay rental business in Mainland China, to Tujia, one of the leading Chinese online booking platform for apartment rentals and home-stays in Mainland China, for approximately 3.9 million ordinary shares of Tujia (the “Tujia Ordinary Shares”). In addition to the disposal transaction, also in June 2016, the Company made additional investment in Tujia including the purchase of approximately 5.2 million Tujia Ordinary Shares and 2.3 million Series D preference shares of Tujia (the “Tujia Series D Preference Shares”) by (i) paying RMB65,874 (US\$10,000) in cash, and (ii) providing future services with fair value of approximately RMB79,132 (US\$12,043). Accordingly, the Company deconsolidated Mayi upon completion of the transaction and recognized a gain on disposal of Mayi of RMB79,581 (US\$12,081). Please see Note 7 for details.

d. Major consolidated subsidiaries and VIEs

In 2016, the Company's major consolidated subsidiaries, VIEs and VIEs' subsidiaries are as follows:

Name	Date of incorporation and acquisition	Place of incorporation	Percentage of direct or indirect economic ownership
<i>Wholly owned and majority owned subsidiaries of the Company:</i>			
China Classified Network Corporation (“CCNC BVI”)	January 5, 2010	British Virgin Islands	100%
China Classified Information Corporation Limited (“CCIC HK”)	January 18, 2010	Hong Kong	100%
Beijing Chengshi Wanglin Information Technology Co., Ltd. (“Wanglin”)	March 8, 2010	PRC	100%
58 Tongcheng Information Technology Co., Ltd. (“58 Technology”)	March 15, 2012	PRC	100%
Anjuke Inc. (“Anjuke”)	March 2, 2015	Cayman	100%
Ruiting Network Technology (Shanghai) Co., Ltd. (“Shanghai Ruiting”)	March 2, 2015	PRC	100%
58.com Holdings Inc. (“58 Holdings”)	July 11, 2014	British Virgin Islands	100%
Falcon View Technology (“Ganji”)	August 6, 2015	Cayman	*
Beijing Yangguang Gudi Science Development Co., Ltd. (“Yangguang Gudi”)	August 6, 2015	PRC	*
<i>VIEs and VIEs' subsidiaries:</i>			
Beijing 58 Information Technology Co., Ltd. (“Beijing 58”)	December 12, 2005	PRC	100%
58 Co., Ltd.	July 28, 2011	PRC	100%
Shanghai Ruijia Information Technology Co., Ltd.	March 2, 2015	PRC	100%
Beijing 58 Auto Technology Co., Ltd. (“Beijing 58 Auto”, formerly known as Beijing Leftbrain Network Technology Co., Ltd.)	November 26, 2015	PRC	59.5%
Beijing Shanjing Kechuang Network Technology Co., Ltd. (“Shanjing Kechuang”)	August 6, 2015	PRC	*

* Falcon View Technology, or Ganji, is the holding company of the PRC entities operating Ganji.com, a major online local services platform in China. In April 2015, the Company acquired a less than 50% equity stake in Ganji. In August 2015, the Company, as a limited partner, contributed newly issued Class A ordinary shares and cash to several private equity funds, which are managed by investment entities unaffiliated with each other and unaffiliated with the Company. These funds, together with Tencent, acquired all the remaining equity interest in Ganji in August 2015. Since then, the Company has consolidated the financial results of Ganji in its consolidated financial statements. See Note 4(b) for more information.

Note: 58 Daojia Inc. (“58 Home”) which was established on January 26, 2015, completed its Series A equity financing in November 2015. As certain approval rights were granted to a noncontrolling preference shareholder and such rights were considered as substantive participating rights in accordance with ASC 810-10, accordingly, the Company deconsolidated 58 Home and its subsidiaries and VIE upon completion of the transaction. See Note 5 for more information.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

e. Contractual arrangements with the Group's VIEs

(i) Contractual Arrangements with Beijing 58

The Company's subsidiary Wanglin has entered into contractual arrangements with Beijing 58 and its shareholders described below, which are referred to as the Beijing 58 Agreements. Through the Beijing 58 Agreements, the Company exercises control over the operations of Beijing 58 and receives substantially all its economic benefits and residual returns.

Through the amended and restated exclusive business cooperation agreement between Beijing 58 and Wanglin, Wanglin agrees to provide certain technical and business support and related consulting services to Beijing 58 in exchange for service fees. In addition, pursuant to the amended and restated exclusive option agreement, Beijing 58 is prohibited from declaring and paying any dividends without Wanglin's prior consent and Wanglin enjoys an irrevocable and exclusive option to purchase Beijing 58 shareholders' equity interests, to the extent permitted by applicable PRC laws, at a nominal price from Beijing Wanglintong Information Technology Co., Ltd. ("Beijing Wanglintong"), which is one of the shareholders of Beijing 58, or at a specified price equal to the loan provided by Wanglin to the individual shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Through the arrangements, the Company can obtain all of Beijing 58's income and all of its residual interests, such as undistributed earnings, either through dividend distribution or purchase of Beijing 58's equity interests from its existing shareholders. As a result of the contractual arrangements, the Company consolidates Beijing 58's financial results in the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Beijing 58 and Wanglin, as amended and restated, Wanglin has the exclusive right to provide, among other things, technical support and business support and related consulting services to Beijing 58 and Beijing 58 agrees to accept all the consultation and services provided by Wanglin. Without Wanglin's prior written consent, Beijing 58 is prohibited from engaging any third party to provide any of the services under this agreement. In addition, Wanglin exclusively owns all intellectual property rights arising out of or created during the performance of this agreement. Beijing 58 agrees to pay a quarterly service fee to Wanglin at an amount determined solely by Wanglin after taking into account factors including the complexity and difficulty of the services provided, the time consumed, the seniority of the Wanglin employees providing services to Beijing 58, the value of services provided, the market price of comparable services and the operating conditions of Beijing 58. This agreement will remain effective unless Wanglin terminates the agreement in writing or a competent governmental authority rejects the renewal applications by either Beijing 58 or Wanglin to renew its respective business license upon expiration. Beijing 58 is not permitted to terminate this agreement in any event unless required by applicable laws. In 2016, Wanglin provided technical support services to Beijing 58 and its subsidiaries and collected service fee payments of approximately RMB41,295.

Powers of Attorney

Pursuant to the powers of attorney, the shareholders of Beijing 58 each irrevocably appointed Wanglin as the attorney-in-fact to act on their behalf on all matters pertaining to Beijing 58 and to exercise all of their rights as a shareholder of Beijing 58, including but not limited to attend shareholders' meetings, vote on their behalf on all matters of Beijing 58 requiring shareholders' approval under PRC laws and regulations and the articles of association of Beijing 58, designate and appoint directors and senior management members. Wanglin may authorize or assign its rights under this appointment to any other person or entity at its sole discretion without prior notice to the shareholders of Beijing 58. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing 58.

Equity Interest Pledge Agreements

Under the equity interest pledge agreements among Wanglin, Beijing 58 and the shareholders of Beijing 58, as amended and restated, the shareholders pledged all of their equity interests in Beijing 58 to Wanglin to guarantee Beijing 58's and Beijing 58's shareholders' performance of their obligations under the contractual arrangements including, but not limited to, the payments due to Wanglin for services provided. If Beijing 58 or any of Beijing 58's shareholders breaches its contractual obligations under the contractual arrangements, Wanglin, as the pledgee, will be entitled to certain rights and entitlements, including receiving proceeds from the auction or sale of whole or part of the pledged equity interests of Beijing 58 in accordance with legal procedures. Wanglin has the right to receive dividends generated by the pledged equity interests during the term of the pledge. If any event of default as provided in the contractual arrangements occurs, Wanglin, as the pledgee, will be entitled to dispose of the pledged equity interests in accordance with PRC laws and regulations. The pledge will become effective on the date when the pledge of equity interests contemplated in these agreements are registered with the relevant local administration for industry and commerce and will remain binding until Beijing 58 and its shareholders discharge all their obligations under the contractual arrangements. These equity interest pledge agreements were registered with Chaoyang Branch of Beijing Administration for Industry and Commerce in July 2013.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

Exclusive Option Agreements

Under the exclusive option agreements among Wanglin, as amended and restated, Beijing 58 and each of the shareholders of Beijing 58, each of the shareholders irrevocably granted Wanglin or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his, her or its equity interests in Beijing 58. In addition, Wanglin has the option to acquire all the equity interests of Beijing 58 for either a nominal price from Beijing Wanglintong, or at a specified price equal to the loan provided by Wanglin to the individual shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Wanglin or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Wanglin's prior written consent, Beijing 58's shareholders shall not transfer, donate, pledge, or otherwise dispose any equity interests in Beijing 58. These agreements will remain effective until all equity interests held in Beijing 58 by the Beijing 58's shareholders are transferred or assigned to Wanglin or Wanglin's designated representatives. At the moment, the Company cannot exercise the exclusive option to purchase the current shareholders' equity interests in Beijing 58 due to the PRC regulatory restrictions on foreign ownership in the value-added telecommunications services. The Company intends to exercise such option once China opens up these industries to foreign investment.

Loan Agreements

Pursuant to the loan agreements between Wanglin and each individual shareholder of Beijing 58, Wanglin provided interest-free loans with an aggregate amount of approximately RMB7.8 million to the individual shareholders of Wanglin for the sole purpose of funding the capital increase of Beijing 58. The loans can be repaid by transferring the individual shareholders' equity interest in Beijing 58 to Wanglin or its designated person pursuant to Exclusive Option Agreements. The term of each loan agreement is ten years from the date of the agreement expiring on December 1, 2021 and can be extended with the written consent of both parties before expiration.

(ii) Contractual Arrangements with Shanjing Kechuang

Ganji, through its PRC subsidiary, Yangguang Gudi, has entered into contractual arrangements with Shanjing Kechuang and its shareholders described below, which are referred to as the Shanjing Kechuang Agreements. Through the Shanjing Kechuang Agreements, Ganji exercises control over the operations of Shanjing Kechuang and receives substantially all its economic benefits and residual returns. Through the exclusive business cooperation agreement between Yangguang Gudi and Shanjing Kechuang, Yangguang Gudi agrees to provide certain technical and business support and related consulting services to Shanjing Kechuang in exchange for service fees. In addition, pursuant to the exclusive option agreements, Shanjing Kechuang is prohibited from declaring and paying any dividends without Yangguang Gudi's prior consent and Yangguang Gudi enjoys an irrevocable and exclusive option to purchase Shanjing Kechuang shareholders' equity interests, to the extent permitted by applicable PRC laws, at a specified price equal to the loan amount provided by Yangguang Gudi to the shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Through these arrangements, Ganji can obtain all of the income and the interests of Shanjing Kechuang, such as undistributed earnings, either through dividend distributions or purchase of equity interests of Shanjing Kechuang from its existing shareholders. As a result of the contractual arrangements, the Company, through Ganji, consolidates the financial results of Shanjing Kechuang in its consolidated financial statements in accordance with U.S. GAAP.

Exclusive Business Cooperation Agreement

The terms and arrangements of the exclusive business cooperation agreement between Yangguang Gudi and Shanjing Kechuang are substantially similar to those under the Beijing 58 Agreements. In 2016, Yangguang Gudi did not collect any service fee payments from Shanjing Kechuang in 2016.

Powers of Attorney

Each shareholder of Shanjing Kechuang has executed a power of attorney to irrevocably appoint Yangguang Gudi as the attorney-in-fact to act on the shareholder's behalf. The terms of the powers of attorney are substantially similar to those under the Beijing 58 Agreements.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

Equity Interest Pledge Agreements

Yangguang Gudi, Shanjing Kechuang and each of the shareholders of Shanjing Kechuang have entered into equity interest pledge agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements. These equity interest pledge agreements were registered with Shunyi Branch of Beijing Administration for Industry and Commerce Bureau on March 18, 2016 for the three individual nominee shareholders and April 1, 2016 for 58 Co., Ltd., respectively.

Exclusive Option Agreements

Yangguang Gudi, Shanjing Kechuang and each of the shareholders of Shanjing Kechuang have entered into exclusive option agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements. At the moment, Ganji cannot exercise the exclusive options to purchase the current shareholders' equity interests in Shanjing Kechuang due to the PRC regulatory restrictions on foreign ownership in the value-added telecommunications services. Ganji may exercise the options if China opens up these industries to foreign investment.

Loan Agreements

Yangguang Gudi and each shareholder of Shanjing Kechuang have entered into loan agreements with an aggregate amount of interest-free loans of approximately RMB38.7 million. The terms of the loan agreements are substantially similar to those under the Beijing 58 Agreements and each loan agreement expires on August 6, 2025 and can be extended with the written consent of both parties before expiration.

(iii) 58 Home's Contractual Arrangements with Tianjin 58 Daojia Life Services Co., Ltd. ("Tianjin 58 Home")

58 Home has through Beijing 58 Daojia Information Technology Co., Ltd. ("Beijing 58 Home") entered into contractual arrangements with Tianjin 58 Home and its shareholders described below, which are referred to as the Tianjin 58 Home Agreements. Through the Tianjin 58 Home Agreements, Beijing 58 Home exercises control over the operations of Tianjin 58 Home and receives substantially all its economic benefits and residual returns. Through the exclusive business cooperation agreement between Beijing 58 Home and Tianjin 58 Home, Beijing 58 Home agrees to provide certain technical and business support and related consulting services to Tianjin 58 Home in exchange for service fees. In addition, pursuant to the exclusive option agreements, Tianjin 58 Home is prohibited from declaring and paying any dividends without Beijing 58 Home's prior consent and Beijing 58 Home enjoys an irrevocable and exclusive option to purchase Tianjin 58 Home shareholders' equity interests, to the extent permitted by applicable PRC laws, at a specified price equal to the loan amount provided by Beijing 58 Home to the shareholders. If the lowest price permitted under PRC law is higher than the above price, the lowest price permitted under PRC law shall apply. Through these arrangements, 58 Home can obtain all of the income and the residual interests of Tianjin 58 Home, such as undistributed earnings, either through dividend distributions or purchase of equity interests of Tianjin 58 Home from its existing shareholders. As a result of the contractual arrangements, 58 Home consolidates the financial results of Tianjin 58 Home in accordance with U.S. GAAP. In July 2016, one shareholder of Tianjin 58 Home transferred his equity interest in Tianjin 58 Home to 58 Co., Ltd. As a result, Beijing 58 Home amended and restated its contractual arrangements with Tianjin 58 Home to reflect the change in shareholding of Tianjin 58 Home.

The Company had been consolidating 58 Home for the period before November 27, 2015 and accounted for its equity investment in 58 Home's ordinary shares and preference shares as equity method investment and cost method investment, respectively since the date of the deconsolidation (See Note 5). The following contractual arrangements within 58 Home have been effective regardless of the deconsolidation of 58 Home by the Company.

Exclusive Business Cooperation Agreement

The terms and arrangements of the exclusive business cooperation agreement between Tianjin 58 Home and Beijing 58 Home under the Tianjin 58 Home Agreements are substantially similar to those under the Beijing 58 Agreements, except that Tianjin 58 Home agrees to pay a monthly service fee to Beijing 58 Home in an amount determined by both parties after taking into account factors similar to those provided under the Beijing 58 Agreements. Beijing 58 Home did not collect any service fee payments from Tianjin 58 Home in 2015.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

Powers of Attorney

Each shareholder of Tianjin 58 Home has executed a power of attorney to irrevocably appoint Beijing 58 Home as the attorney-in-fact to act on the shareholder's behalf. The terms of the powers of attorney are substantially similar to those under the Beijing 58 Agreements.

Equity Interest Pledge Agreements

Beijing 58 Home, Tianjin 58 Home and each of the shareholders of Tianjin 58 Home have entered into equity interest pledge agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements. These equity interest pledge agreements are registered with the Tianjin Binhai New Area Market and Quality Supervision and Administration Bureau on September 8, 2015.

Exclusive Option Agreements

Beijing 58 Home, Tianjin 58 Home and each of the shareholders of Tianjin 58 Home have entered into exclusive option agreements with terms and arrangements that are substantially similar to those under the Beijing 58 Agreements, except that the purchase price to be paid by Beijing 58 Home to each shareholder by exercising its option to purchase all the equity interests held by the shareholder in Tianjin 58 Home equal to the loan amount provided by Beijing 58 Home to the shareholder. At the moment, 58 Home cannot exercise the exclusive options to purchase the current shareholders' equity interests in Tianjin 58 Home due to the PRC regulatory restrictions on foreign ownership in the value-added telecommunications services. 58 Home may exercise the options if China opens up these industries to foreign investment.

Loan Agreements

Beijing 58 Home and each shareholder of Tianjin 58 Home have entered into loan agreements with an aggregate amount of interest-free loans of approximately RMB100 million. The terms of the loan agreements are substantially similar to those under the Beijing 58 Agreements and each loan agreement expires on August 5, 2025 and can be extended with the written consent of both parties before expiration.

Risks in Relation to the VIE Structure

As of December 31, 2016, the aggregate accumulated losses of VIEs and VIEs' subsidiaries were approximately RMB1,823,473, which has been included in the consolidated financial statements.

The following financial statement amounts and balances of the Group's VIEs and VIEs' subsidiaries were included in the accompanying consolidated financial statements as of December 31, 2015 and 2016 and for the three years ended December 31, 2014, 2015 and 2016:

	As of December 31,	
	2015	2016
	RMB	RMB
Cash and cash equivalents	450,021	351,860
Short-term investments	100,593	425,000
Accounts receivable, net	169,719	211,907
Prepayments and other current assets	120,254	141,508
Property and equipment, net	92,902	121,207
Long-term investments	45,953	149,489
Intangible assets, net and goodwill	16,317,227	16,052,273
Long-term prepayments and other non-current assets	56,100	38,047
Total assets	17,352,769	17,491,291
Accounts payable	164,032	199,618
Deferred revenues	749,997	859,956
Customer advances	378,371	296,595
Taxes payable	17,471	14,740
Salary and welfare payable	251,826	254,958
Inter-company payable	826,926	1,330,757
Accrued expenses and other current liabilities	79,012	205,441
Deferred tax liabilities	376,893	329,611
Other non-current liabilities	2,000	—
Total liabilities	2,846,528	3,491,676

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

	For the year ended December 31,		
	2014	2015	2016
	RMB	RMB	RMB
Revenue	625,457	1,669,685	2,459,689
Net loss	(24,230)	(853,773)	(457,054)
Net cash provided by operating activities	413,473	175,097	396,925
Net cash (used in)/provided by investing activities	(346,511)	212,875	(446,062)
Net cash provided by financing activities	—	—	28,235

Under the contractual arrangements with each of the VIEs and through their respective equity interest in their subsidiaries, the Group has the power to direct activities of the VIEs and the VIEs' subsidiaries and direct the transfer of assets out of the VIEs and the VIEs' subsidiaries. Therefore the Group considers that there is no asset of the VIEs and the VIEs' subsidiaries that can be used only to settle their obligations. As the consolidated VIEs and VIEs' subsidiaries are incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for the liabilities of the consolidated VIEs and the VIEs' subsidiaries.

The Group believes that the contractual arrangements among each of the VIEs, their respective shareholders and relevant WFOE are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of VIEs 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 the VIEs also depends on the power of attorney and the WFOEs have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

It is possible that the Group's operation of certain of its businesses through the VIEs could be found by PRC authorities to be in violation of PRC law and regulations prohibiting or restricting foreign ownership of companies that engage in such operations and businesses. While the Group's management considers the possibility of such a finding by PRC regulatory authorities under current PRC law and regulations to be remote, on January 19, 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released on its Website for public comment a proposed PRC law (the "Draft FIE Law") that appears to include VIEs within the scope of entities that could be considered to be foreign invested enterprises (or "FIEs") that would be subject to restrictions under existing PRC law and regulations on foreign investment in certain categories of industry. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership or equity, the Draft FIE Law includes control through contractual arrangements within the definition of "actual control." If the Draft FIE Law is passed by the People's Congress of the PRC and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to apply to the Group's VIE arrangements, and as a result the Group's VIEs could become explicitly subject to the current restrictions on foreign investment in certain categories of industries. The Draft FIE Law includes provisions that would exempt from the definition of foreign invested enterprises entities where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens. The Draft FIE Law is silent as to what type of enforcement action might be taken against existing VIEs that operate in restricted or prohibited industries and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If a finding were made by PRC authorities, under existing law and regulations or under the Draft FIE Law if it becomes effective, that the Group's operation of certain of its operations and businesses through the VIEs is prohibited, the regulatory authorities with jurisdiction over the licensing and operation of such operations and businesses would have broad discretion in dealing with such a violation, including levying fines, confiscating the Group's income, revoking the business or operating licenses of the affected businesses, requiring the Group to restructure its ownership structure or operations, or requiring the Group to discontinue any or all portion of its operations. Any of these actions could cause significant disruption to the Group's business operations, and have a severe adverse impact on the Group's cash flows, financial position and operating performance.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

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

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate its businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; 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, if the imposition of any of these penalties causes the Group to lose the right to direct the activities of any of the VIEs (through its equity interest in its subsidiaries) or the right to receive their economic benefits, the Group would no longer be able to consolidate the relevant VIE and its subsidiaries, if any. In the opinion of management, the likelihood of loss in respect of the Group's current ownership structure or the contractual arrangements with its VIEs is remote.

There is no VIE for which the Company has variable interest but is not the primary beneficiary.

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

The Company's VIEs' assets are comprised of recognized and unrecognized revenue-producing assets. The recognized revenue producing assets mainly include purchased servers, which were in the line of "Property and equipment, net" in the table above. The unrecognized revenue-producing assets mainly consist of the Internet Content Provider license ("ICP" license), trademarks, copyrights and registered patents, which have no recorded value.

As of December 31, 2016, the VIEs hold the ICP license, which is necessary for the operation of the website and provision of value-added telecommunications services in China, and have registered 784 trademarks, including 58同城 and 58网 and 50 copyrights. The VIEs also have 6 registered patents and applied for the registration of 85 other patents, which cover a variety of technologies, including those relating to data processing, search, distribution and publishing.

The VIEs' business operations rely in part on the technologies covered by the registered patents to generate revenues. Such technologies include (1) the data verification and processing technology used to verify and process local merchant information; (2) the data researching technology provided to end-users enable them to find the exact information they want in the shortest time; (3) the data publishing technology provided to end-users or merchants to help them to publish their service information more efficiently.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

f. Liquidity

As of December 31, 2016, current liabilities of the Group exceeded its current assets by RMB2,816,897, and the Group had an accumulated deficit of RMB3,070,735. For the year ended December 31, 2016, the Company had a net loss attributable to 58.com of RMB783,764. During the year ended December 31, 2014, 2015 and 2016, the net cash provided by the Group's operating activities were RMB606,717, RMB198,538 and RMB1,887,849, respectively. During the year ended December 31, 2016, Mr. Jinbo Yao, the chief executive officer of the Group, pledged 12.4 million Class B ordinary shares personally owned by him as security for the Company's loan with China Merchants Bank Co. Limited ("CMB Bank") in the amount of RMB1,780,955 (US\$275,000), out of which the Company repaid RMB1,138,222 (US\$167,500) principal and RMB42,072 (US\$6,288) accrued interest as of December 31, 2016, and the remaining balance was fully paid on April 21, 2017. The Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long term. The Group has adopted Accounting Standards Update ("ASU") No.2014-15 "Presentation of Financial Statements – Going Concern" which addresses management's responsibility to evaluate whether there is a substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures if the substantial doubt exists. Based on the Group's operating plan without considering any mitigating plan as discussed in ASU No. 2014-15, or any guarantee by related party, the management is of the opinion that, the Group's current cash and cash equivalents and anticipated cash flow from operations provide sufficient funds to meet the working capital requirements to fund planned operations and other commitments for at least the next twelve months from the date the consolidated financial statements for the year ended December 31, 2016 are issued. As a result, the consolidated financial statements of the Group for the year ended December 31, 2016 have been prepared on a going concern basis.

2. Principal accounting policies

(a) Principles of consolidation

The consolidated financial statements of the Group have been prepared in accordance with U.S. GAAP. The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and VIEs' subsidiaries for which the Company is the ultimate primary beneficiary.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

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

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

The Company deconsolidates its subsidiaries in accordance with ASC 810-10-40-4 as of the date the Company ceased to have a controlling financial interest in the subsidiaries.

The Company accounts for the deconsolidation of its subsidiaries by recognizing a gain or loss in net income/(loss) attributable to the Company in accordance with ASC 810-10-40-5. This gain or loss is measured at the date the subsidiaries are deconsolidated as the difference between (a) the aggregate of the fair value of any consideration received, the fair value of any retained noncontrolling interest in the subsidiaries being deconsolidated, and the carrying amount of any noncontrolling interest in the subsidiaries being deconsolidated, including any accumulated other comprehensive income/(loss) attributable to the noncontrolling interest, and (b) the carrying amount of the assets and liabilities of the subsidiaries being deconsolidated.

(b) 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, the determination of the fair value of identifiable assets and liabilities acquired through business combination, the determination of the fair value of long-term investments, the determination of the fair value of mezzanine equity, the determination of fair value of noncontrolling interests, the valuation allowance of deferred tax assets, the determination of uncertain tax position, the valuation and recognition of share-based compensation, impairment of long-lived assets and the determination of the estimated useful lives of property and equipment and intangible assets.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

(c) Functional Currency and Foreign Currency Translation

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 Chinese Renminbi ("RMB") as determined based on ASC 830, "Foreign Currency Matters". Effective December 31, 2016, the Group changed its reporting currency from US\$ to RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the periods. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income/(loss) in the consolidated statement of changes in shareholders' equity. Total foreign currency translation losses adjustments, net of nil tax were RMB3,192, RMB69,708 and RMB76,027 for the years ended December 31, 2014, 2015 and 2016, respectively.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are included in the consolidated statements of comprehensive income/(loss). Total foreign currency exchange losses were RMB15,335, RMB11,196 and RMB3,727 for the years ended December 31, 2014, 2015 and 2016, respectively.

Translations of amounts from RMB into US\$ for the convenience of the reader were calculated at the exchange rate of RMB6.9370 per US\$1.00, the middle rate on December 30, 2016, the last business day in fiscal year 2016, as published on the website of the State Administration of Foreign Exchange of the PRC. No representation is made that the RMB amounts could have been, or could be converted into U.S. dollars at such rate.

(d) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less and are readily convertible to known amounts of cash.

The following table sets forth a breakdown of the Group's cash and cash equivalents by currency denomination, jurisdiction and geographical location as of December 31, 2015 and 2016:

	US\$ in thousands					RMB in thousands					RMB in thousands Total translated to RMB
	USA		Hong Kong		China	USA		Hong Kong		China	
	USA	Hong Kong	Non VIE	China VIE	Total	USA	Hong Kong	Non VIE	China VIE	Total	
December 31, 2015	3,944	289,522	29,459	3,511	326,436	247,043	6	324,952	449,928	1,021,929	3,138,387
December 31, 2016	3	56,103	10,917	2	67,025	268	152	383,233	351,848	735,501	1,200,457

(e) Restricted cash

Cash that is legally restricted from withdrawal and pledged as collateral with commercial banks for the Group's short-term loans is reported separately on the face of the Group's consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows. Cash that is legally restricted from withdrawal amounted to RMB31,436 and RMB3,433 as of December 31, 2015 and 2016, respectively. Cash pledged with commercial banks for the Group's short-term loans was RMB nil and RMB1,148,507, respectively as of December 31, 2015 and 2016.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

(f) Term deposits

Term deposits represent time deposits placed with banks with original maturities of more than three months to up to one year. Interest earned is recorded as interest income in the consolidated statements of comprehensive income/(loss) during the periods presented.

(g) Short-term investments

Short-term investments include investments in variable rate financial instruments which primarily consists of wealth management products with variable interest rates or principal non-guaranteed which were purchased from commercial banks and other financial institutions and investment in available-for-sale securities of a public traded company.

The Group carries these investments at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income/(loss) as investment income/(loss), net. Fair value is estimated based on quoted prices of similar products provided by banks at the end of each period. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements. Please see Note 20 for additional information.

The available-for-sale securities are reported at fair values with the unrealized gains or losses recorded as accumulated other comprehensive income or loss in equity. The Group reviews its available-for-sale securities for other-than-temporary impairment (“OTTI”) based on the specific identification method. If the cost of an investment exceeds the investment’s fair value, the Group considers quantitative and qualitative evidence including general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and the Group’s intent and ability to hold the investment in determining whether to record an OTTI. The Group disposed all available-for-sale securities in 2016 and recognized investment loss of RMB2,989 upon disposal in its consolidated statement of comprehensive income/(loss). Please see Note 8 for more details.

(h) Accounts receivable, net

The carrying value of accounts receivable is reduced by an allowance that reflects the Group’s best estimate of the amounts that will not be collected. The Group makes estimations for the collectability of accounts receivable considering many factors including but not limited to reviewing accounts receivable balances, historical bad debt rates, accounts aging, repayment patterns, customer credit worthiness, financial conditions of the customers and industry trend analysis, resulting in their inability to make payments due to the Group. An accounts receivable is written off after all collection effort has ceased. The Group recognized RMB11,672 and RMB13,737 allowance for doubtful accounts for the years ended December 31, 2015 and 2016, respectively.

(i) Property and equipment, net

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

Buildings	30-50 years
Computers and equipment	3-5 years
Motor vehicles	4-5 years
Furniture and fixtures	5 years
Leasehold improvements	Over the shorter of lease terms or the estimated useful lives of assets
Software	3-5 years

Expenditures for maintenance and repairs are expensed as incurred. The 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 income/(loss).

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

(j) Intangible assets, net

Intangible assets acquired through business acquisitions are recognized as assets separated from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Intangible assets purchased are recognized and measured at fair value upon acquisition.

Intangible assets with finite lives are carried at cost less accumulated amortization. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

Customer relationships	2 - 3 years
Domain names and trademarks	9 - 10 years
Technology	4 - 5 years

Intangible assets with infinite lives are evaluated to determine the fair value annually. An impairment loss is recognized if the carrying amount exceeds the fair value. Separately identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets is based on the amount by which the carrying amount of the assets exceeds the fair value of the asset.

(k) Land use rights, net

Land use rights are carried at cost less accumulated amortization. Amortization is provided to write off the cost of lease prepayments on a straight-line basis over the period of the shorter of estimated useful lives which are generally 50 years or the terms of the land use rights purchase agreements.

(l) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed of the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries and VIEs. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. 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, the quantitative impairment test is performed.

In performing the two-step quantitative impairment test, the first step is to compare the fair values 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 is to compare the implied fair value of goodwill to the carrying value 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.

The Group performs impairment tests in the fourth quarter of each year. No impairment loss was recognized for all periods presented.

(m) Long-term investments

Long-term investments represent the Group's investments in privately held companies.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

In accordance with ASC 323 “Investment-Equity Method and Joint Ventures”, the Group applies the equity method of accounting to 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. Under the equity method, the Group initially records its investment at cost. The difference between the cost of the equity investment and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill or as an intangible asset as appropriate, which is included in the equity method investment on the consolidated balance sheets. The Group subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of each equity investee's net income or loss into consolidated statements of comprehensive income/(loss) after the date of acquisition. The Group will discontinue applying equity method if an investment (and additional financial supports to the investee, if any) has been reduced to zero.

An investment in in-substance common stock is an investment 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 one in that entity's common stock.

For long-term investments in equity securities that are not accounted for using equity method of accounting, and that have no readily determinable fair value, the cost method of accounting is used.

The Company assesses its long-term investments accounted for under the cost method and equity method for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information, such as recent financing rounds. The fair value determination, particularly for investments in privately-held companies whose revenue model is still evolving, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and the determination of whether any identified impairment is other-than-temporary. If any impairment is considered other-than-temporary, the Company will write down the asset to its fair value and take the corresponding charge to the consolidated statements of comprehensive income/(loss).

Impairment charges in connection with the cost method investments of RMB nil, RMB6,119 and RMB142,125 were fully recorded in investment income/(loss), net in the consolidated statements of comprehensive income/(loss) for the years ended December 31, 2014, 2015 and 2016, respectively, because the investees operation metrics were not performing to the expectations. No impairment charges in connection with the equity method investments were recorded for the years ended December 31, 2014, 2015 and 2016.

(n) Impairment of other long-lived assets

The carrying amounts of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to future undiscounted net cash flows expected to be generated by the assets. Such assets are considered to be impaired if the sum of the expected undiscounted cash flow is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Impairment charges of other long-lived assets of RMB nil, RMB nil and RMB30,000 were recognized for the years ended December 31, 2014, 2015 and 2016, respectively.

(o) Fair value

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

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

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

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

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

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

The Group measures the fair value of assets and liabilities by two main approaches: (1) market approach and (2) income 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 Group's financial instruments mainly include cash and cash equivalents, term deposits, short-term investments, accounts receivable, accounts payable, deferred revenues, customer advances, and accrued liabilities and other current liabilities. The carrying value of the Company's short-term financial instruments approximates their fair value because of their short maturities. The Company measures certain financial assets, including the investments under the cost method and equity method on other-than-temporary basis; intangible assets, goodwill and fixed assets are marked to fair value when an impairment charge is recognized. Please see Note 20 for additional information.

(p) Customer advances

Customers pay in advance to purchase membership services, online marketing services and other services. The cash proceeds received from customers are initially recorded as customer advances and then transferred to deferred revenues when they are used to purchase desired services.

(q) Revenue recognition

The Group generates revenues primarily from membership, online marketing and E-commerce services. The Group sells its services through its direct sales teams and third party sales agencies. Under the terms of the agreement with the sales agencies, the sales agencies remit to the Group a certain percentage of the listed sales price. The Group recognizes revenue net of the amounts retained by the sales agencies because the sales agencies will offer discretionary discount to the customer. Additionally, the Group does not receive information from the sales agencies indicating the amount of such discounts offered to the customers or regarding the actual cash paid by the customers to the sales agencies. As such, the Group is unable to determine the gross amounts paid by the customers to the sales agencies. Accordingly, the Group believes that it is more appropriate to recognize revenue net of the amounts retained by the sales agencies. Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and collectability of the related fee is reasonably assured.

The Group has adopted the gross presentation for business tax and related surcharges pursuant to ASC 605-45, "Revenue Recognition: Principal Agent Considerations". The amount of business tax and related surcharges included in cost of revenues were RMB10,027, RMB23,075 and RMB37,067 for the years ended December 31, 2014, 2015 and 2016, respectively. Effective January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation launched the Value Added Tax ("VAT") Pilot Program for certain industries in certain regions. According to the implementation circulars released by the Ministry of Finance and the State Administration of Taxation on the Pilot Program, the "Modern Service Industries" includes research, development and technological services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. Subsidiaries in different regions were affected at different times as the program was rolled out. All of the Company's entities were subject to the VAT Pilot Program as of December 31, 2016. With the adoption of the Pilot Program, the Group's revenues are subject to VAT payable on goods sold or taxable labor services provided by a general VAT taxpayer for a taxable period. VAT payable is the net balance of the output VAT for the period after deducting the input VAT for the period. Hence, the amount of VAT payable does not result directly from output VAT generated from goods sold or taxable labor services provided. Accordingly, the Group has adopted the net presentation of VAT.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

(i) Membership

A membership is a basic services package mainly consisting of the following services: customer certification, display of an online storefront on the Group's platforms, preferential listing benefits such as limited daily priority listings and higher quota for free daily listings, access to the Group's dedicated customer service support team and online account management system. Membership revenues are recognized ratably over the contract period when membership services are provided.

(ii) Online marketing services

The Group's online marketing services include time-based services and performance-based services. Revenues from time-based services are recognized ratably over the service period. Revenues from performance-based services are recognized when the agreed performance criteria are achieved. For service arrangements that include multiple deliverables, revenues are allocated to each unit of accounting based on relative selling price of each unit of accounting according to the selling price hierarchy established by ASU No. 2009-13. The Group uses (a) vendor-specific objective evidence of selling price, if it exists, (b) otherwise, third-party evidence of selling price. If neither (a) nor (b) exists, the Group will use (c) the management's best estimate of the selling price for that deliverable. Selling price is generally determined by vendor specific objective evidence.

(iii) E-commerce services

The Group enters into promotional service agreements with real estate developers pursuant to which the Group is authorized to sell discount coupons with face value ranging from RMB2 to RMB100 to prospective home buyers. The home buyers are required to prepay the full face value of the coupon to the Group before they can use the coupon to purchase specified properties from the real estate developers at a discount significantly greater than the coupon value. The coupon purchased by prospective home buyers is refundable before a purchase of the specified properties prior to the expiry date of the coupon. The Group recognizes revenues when home buyers apply the discount coupon to pay for the purchase price of the specified properties from real estate developers. Cash received in advance of the purchase of specified properties is recorded as customer advances.

(iv) Other services

Other services mainly include various off-line services provided. For the year ended December 31, 2016, other services revenue is primarily derived from offline recruiting services provided. The Group recognizes other service revenue when the related service is rendered.

(r) Cost of revenues

Cost of revenues mainly consists of traffic acquisition cost paid to 58.com advertising union partner as well as costs associated with the production and operation of websites, which include fees paid to third parties for internet connection, content and services, payroll-related expenses, equipment depreciation associated with the website production and operation, and business taxes, etc.

(s) Advertising expenses

Advertising costs are generally prepaid to the third parties for television, internet and outdoor advertising services. Advertising costs are expensed as sales and marketing expenses when the services are received. For the years ended December 31, 2014, 2015 and 2016, advertising expenses recognized in the consolidated statements of comprehensive income/(loss) were RMB451,172, RMB1,811,852 and RMB2,040,020, respectively. Out of the total advertising expenses, the advertising expenses charged by the Group's related party Tencent amounted to approximately RMB9,142, RMB152,099 and RMB351,095 for the year ended December 31, 2014, 2015 and 2016, respectively.

(t) Research and development expenses

Research and development expenses mainly consist of personnel, rent and depreciation expenses associated with the development of and enhancement to the Group's websites and expenses associated with research and development. The research and development expenses are expensed as incurred for all the periods presented.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

Costs incurred for the preliminary project stage of internal use software are expensed when incurred in research and development expenses. Costs incurred during the application development stage are capitalized when certain criteria are met as stated in ASC 350-40. Costs incurred during the post-implementation-operation stage are also expensed as incurred. As the period qualified for capitalization has historically been very short and the development costs incurred during this period have been insignificant, development costs of internal use software to date have been expensed when incurred.

(u) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of comprehensive income/(loss) on a straight-line basis over the terms of underlying lease.

(v) Share-based compensation

All share-based awards to employees and directors, including share options, restricted share units ("RSUs") and restricted shares ("RSs") are measured at the grant date based on the fair value of the awards. Share-based compensation, net of forfeitures, is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period.

The Group uses the binomial option pricing model to determine the fair value of share options and account for share-based compensation expenses using an estimated forfeiture rate at the time of grant and revising the rate, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Share-based compensation expenses are recorded net of estimated forfeitures such that expenses are recorded only for those share-based awards that are expected to vest.

See Note 23 for further information regarding share-based compensation assumptions and expenses.

(w) 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 statement of comprehensive income/(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 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. Guidance was also provided 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. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group recognizes interest and penalties, if any, under accrued expenses and other current liabilities on its balance sheet and under other expenses in its statement of comprehensive income/(loss). The Group did not have any significant interest or penalties associated with tax positions as of December 31, 2014, 2015 and 2016. As of December 31, 2014, 2015 and 2016, the Group did not have any significant unrecognized uncertain 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.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

(x) Employee benefits

Full-time employees of the Group in mainland China are entitled to staff 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 regulation requires that the Group makes contributions to the government for these benefits based on certain percentage of the employees' salaries, up to a maximum amount specified by the local government. Currently, the Group is paying contributions to the social insurance plan for all full-time employees and to the housing fund plans for some employees, but the amounts paid for these employees may not be sufficient as required by the PRC laws and regulations, for which the Group have made provision based on its best estimate. The Group has no legal obligation for the benefits beyond the required contributions.

The Group recorded employee benefit expenses of RMB89,078, RMB338,638 and RMB476,989 for the years ended December 31, 2014, 2015 and 2016, respectively.

(y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income/(loss) over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the property, plant and equipment and other non-current assets are presented in the consolidated balance sheet by deducting the grants in arriving at the assets carrying amount and are credited to consolidated statements of comprehensive income/(loss) on a straight-line basis over the expected lives of the related assets.

For the years ended December 31, 2014, 2015 and 2016, the Group recognized government grants of RMB35,018, RMB30,015 and RMB72,325, respectively in others, net in the consolidated statements of comprehensive income/(loss).

(z) Ordinary shares

The Company accounts for repurchased ordinary shares under the cost method and includes such treasury stock as a component of the common shareholders' equity. Cancellation of treasury stock is recorded as a reduction of ordinary shares, additional paid-in capital and retained earnings, as applicable. An excess of purchase price over par value is allocated to additional paid-in capital first with any remaining excess charged entirely to retained earnings.

(aa) Business combination, noncontrolling interests and mezzanine classified noncontrolling interests

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations". The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by the Company to the sellers and equity instruments issued. 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. 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 subsidiary acquired, the difference will be recognized directly in the consolidated statements of comprehensive income/(loss). During the measurement period, which can be up to one year from the acquisition date, the Company 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 operations.

In a business combination achieved in stages, the Company re-measures 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/(loss).

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

For the Company's majority-owned subsidiaries and VIEs, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company. When the noncontrolling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company, the noncontrolling interest is classified as mezzanine classified noncontrolling interest. Consolidated net income/(loss) on the consolidated income statements includes the net income/(loss) attributable to noncontrolling interests and mezzanine equity holders when applicable. The cumulative results of operations attributable to noncontrolling interests are also recorded as noncontrolling interests in the Company's consolidated balance sheets. Cash flows related to transactions with noncontrolling interests are presented under financing activities in the consolidated statements of cash flows.

(ab) Statutory reserves

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

In accordance with China's Company Laws, the Company's PRC subsidiary, the VIEs and VIEs' subsidiaries that are Chinese companies, must make appropriations from their after-tax profit (as determined under the Accounting Standards for Business Enterprises as promulgated by the Ministry of Finance of the People's Republic of China ("PRC GAAP")) to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiaries that are foreign investment enterprises in China have to make appropriations from their after-tax profit (as determined under PRC GAAP) to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective company's discretion. The use of the general reserve fund, statutory surplus fund and discretionary surplus fund are restricted to the offsetting of losses to increase the registered capital of the respective company. These reserves are not allowed to be transferred out as cash dividends, loans or advances, nor can they be distributed except under liquidation.

As of December 31, 2016, the Group had statutory reserve fund amounted to RMB129,610.

(ac) Related parties

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 operating decisions. Parties are also considered to be related if they are subject to common control or significant influence of the same party, such as a family member or relative, shareholder, or a related corporation.

(ad) Earnings/(loss) per share

Basic earnings/(loss) per share is computed by dividing net income/(loss) attributable to 58.com Inc. 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. Diluted earnings/(loss) per share is calculated by dividing net income/(loss) attributable to ordinary shareholders, as adjusted for the accretions and allocation of net income related to the preference shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preference 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 earnings/(loss) per share calculation when inclusion of such shares would be anti-dilutive.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

(ae) 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 income/(loss). Accumulated other comprehensive income/(loss), as presented on the accompanying consolidated balance sheets, consists of accumulated foreign currency translation adjustment and unrealized gain/(loss) on available-for-sale securities.

(af) Segment reporting

Based on the criteria established by ASC 280 “Segment Reporting”, the Group’s chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of revenue by products but has internal reporting of cost and expenses that do not distinguish between segments, and costs and expenses of the Group is reported by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating and reportable segment. As the Group’s long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(ag) Recently issued accounting pronouncements

In May 2014, the FASB issued 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 publicly-traded business entities that follow U.S. GAAP, the deferral results in the new revenue standards’ being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016. The Group will apply the new revenue standard under the modified retrospective approach, effective January 1, 2018. The cumulative effect of initially applying the guidance will be recognized at the date of initial application. The Group is currently in the process of analyzing its revenue in accordance with the new revenue standard to determine the impact on the consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes”, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Group is in the process of evaluating the impacts the adoption of this update will have on its consolidated financial statements as current deferred tax assets were RMB609 and non-current deferred tax liabilities were RMB373,810 as of December 31, 2016.

In January 2016, the FASB issued ASU No.2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities”, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. 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). The guidance will be effective for the fiscal year beginning after December 15, 2017, including interim periods within that year. The Group is in the process of evaluating the impacts the adoption of this update will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”, which amends the existing accounting standards for lease accounting. For operating leases, ASU No.2016-02 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 with terms of more than twelve months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. 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. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Group is currently assessing the potential effects the adoption of this update will have on its consolidated financial statements and related disclosures.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

In March 2016, the FASB issued ASU No. 2016-09, “Compensation—Stock Compensation (Topic 718),” which intends to improve the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; (c) classification on the statement of cash flows; and (d) accounting for forfeitures of share-based payments. This standard will be effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. The Group is currently assessing the potential effects the adoption of this update will have on its consolidated financial statements and related disclosures.

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. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under other-than-temporary impairment model. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Group is currently evaluating the impact that the adoption of this update will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments,” which addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Group is currently evaluating the impact that the adoption of this update will have on its consolidated financial statements and related disclosures.

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 amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods 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 is currently evaluating the impact that the adoption of this update will have on its consolidated financial statements.

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. Public business entities should apply the amendments in this Update to annual periods beginning after December 15, 2017, including interim periods within those periods. Early application of the amendments in this Update is allowed as follows: 1. For transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance; 2. For transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The standard should be applied prospectively on or after the effective date. The Group will evaluate the impact of adopting this standard prospectively upon any transactions of acquisitions or disposals of assets or businesses.

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 adoption of this update will have on its consolidated financial statements.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

3. Credit risks and concentration

(a) Credit risk

The Group's credit risk arises from cash and cash equivalents, term deposits, short-term investments, as well as credit exposures to receivables due from its customers, related parties and other parties.

The Group believes that there is no significant credit risk associated with cash and cash equivalents and term deposits which were held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries, the VIEs and VIEs' subsidiaries are located.

The Group has no significant concentrations of credit risk with respect to its customers, except for the accounts receivable from the internet search companies as discussed below. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantees from third parties, their credit history and other factors such as current market conditions.

(b) Major customers

There was no customer whose revenue represented over 10% of total revenues in 2014, 2015 and 2016.

The accounts receivable from one internet search company represented approximately 13% and 5% of total accounts receivable as of December 31, 2015 and 2016, respectively. No other customer has receivables representing over 10% of total accounts receivable.

(c) Foreign currency risk

The Group's operating transactions are mainly denominated in RMB. RMB is not freely convertible into foreign currencies. The value of the RMB is subject to changes by the central government policies and to 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 effect the remittance.

4. Business acquisitions and equity investment transactions

(a) Acquisition of Anjuke Inc. ("Anjuke")

On March 2, 2015, the Group completed the acquisition of 100% equity interest of Anjuke, a major online real estate listing platform in China which allows potential home buyers and renters to search for primary and secondary real estate. This transaction allows the Group to create China's largest secondary and rental real estate platform by combining the Group's housing content category with Anjuke's platform. Total consideration for this acquisition consisted of approximately 4.8 million newly issued ordinary shares and approximately 0.2 million fully vested RSUs of the Company and RMB985,427 (US\$160,198) in cash.

The acquisition had been accounted for as a business acquisition and the results of operations of Anjuke and its subsidiaries and affiliated companies from the acquisition date have been included in the Group's consolidated financial statements. The Group made estimates and judgments in determining the fair value of acquired assets and liabilities, with the assistance of an independent valuation firm and management's experience with similar assets and liabilities. In performing the purchase price allocation, the Group considered the analyses of historical financial performance and estimates of future performance of Anjuke.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

The allocation of the purchase price is as follows:

	Amounts	
	RMB	Amortization Years
Net assets acquired	39,651	
Amortizable intangible assets		
Domain names and trademarks	168,279	10
Technology	59,681	5
Customer relationship	14,676	2
Goodwill	1,341,760	
Deferred tax liabilities	(60,659)	
Total	<u>1,563,388</u>	
Total purchase price comprised of		
-Cash consideration	985,427	
-Equity consideration	577,961	
Total	<u>1,563,388</u>	

The total cash consideration of RMB985,427 (US\$160,198) less cash acquired of RMB40,510 (US\$6,590) and cash consideration payable of RMB188,068 (US\$28,962) resulted in a net cash outlay of RMB766,455 (US\$124,646) at the acquisition date. The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill. Goodwill primarily represents the expected synergies from combining the Group's housing content category with Anjuke's platform. The goodwill is not expected to be deductible for tax purposes. No subsequent purchase price adjustment has been made.

All the cash consideration payable has been settled as of December 31, 2016.

(b) Investment and consolidation of Falcon View Technology ("Ganji")

(i) Equity investment in Ganji

On April 20, 2015, the Group acquired from Ganji's shareholders certain number of ordinary and preference shares of Ganji which accounted for less than 50% equity stake in Ganji, the holding company of the PRC entities operating Ganji.com, a major online local services platform in China for consideration consisting approximately 34.0 million newly issued ordinary shares of the Company and RMB2,527,095 (US\$412,237) in cash. The RMB2,527,095 (US\$412,237) of total cash consideration less consideration payable of RMB794,901 (US\$122,413) resulted in a net cash outlay of RMB1,776,677 (US\$289,824) upon the completion of the equity investment. (the "Transaction (i)")

The investment in the ordinary shares of Ganji was accounted for as equity method investment based on the equity interest of 31.6% attributable to the acquired ordinary shares of Ganji in accordance with ASC 323. During the period from April 20, 2015 to August 6, 2015, the Group recognized its proportionate share of Ganji's net loss, which amounted to RMB657,387 (US\$103,550), into the consolidated statements of comprehensive income/(loss).

The investment in the preference shares of Ganji was accounted for as cost method investment in accordance with ASC 325-20 because the preference shares of Ganji acquired by the Group were not in-substance common stocks and there was no readily determinable fair value of the Ganji shares.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

In accordance with Rule 4-08(g) of Regulation S-X, the Company summarized condensed financial information of Ganji for the period in which it was accounted for by equity method.

	For the period from April 20 to August 6, 2015
	RMB
Operating data:	
Revenues	325,525
Gross profit	295,029
Loss from operations	(2,101,364)
Net loss	(2,082,803)
Net loss attributable to Ganji's shareholders	(2,080,336)
 Balance sheets data:	
Current assets	1,043,498
Non-current assets	1,618,241
Current liabilities	1,012,294
Non-current liabilities	392,849
Mezzanine equity	30,135
Total shareholders' equity	1,226,461

(ii) Investment in private equity funds which invested in Ganji

On July 31, 2015, the Company issued a convertible note to Tencent for a cash consideration of RMB2,447,240 (US\$400,000) (See Note 16). Subsequently, the Company committed the whole RMB2,447,240 (US\$400,000) proceeds from this transaction, together with additional cash of RMB40,825 (US\$6,673) from the Company and approximately 46.5 million newly issued ordinary shares of the Company to several private equity funds (the "Equity Funds") of which approximately 46.5 million newly issued ordinary shares and RMB1,666,546 (US\$272,396) cash were contributed to the funds in August, 2015. These funds are dedicated to investing in businesses in China and separately managed by different investment entities, as general partners, and they are unaffiliated with each other and unaffiliated with the Company. These funds, together with Tencent, acquired all the remaining equity interests in Ganji on August 6, 2015 (the "Transaction (ii)"). The Company also transferred an aggregate of approximately 4.4 million fully vested restricted share units of the Company and approximately RMB311,825 (US\$50,967) in cash to former Ganji employees as part of the total consideration of step acquisition of Ganji.

Upon the completion of the transactions on August 6, 2015, Ganji was directly owned by the Company as a result of the Transaction (i) and by the Equity Funds and Tencent as a result of the Transaction (ii).

The Company decided to early adopt ASU No. 2015-2, which is a new consolidation standard, to account for the investment in the Equity Funds and hence Ganji. Although the Company is a limited partner of the Equity Funds, the Company has a substantive kick-out right and holds the majority shareholding in the Equity Funds, and there are no other limited partners holding substantive participating right to the Equity Funds. Therefore the Company considered that it has a controlling financial interest over the Equity funds under the voting interest model, and as a result has consolidated Ganji since August 6, 2015. The financial results of Ganji were no longer reflected in the financial statement line item of "share of results of equity investees". The Company accounted for the Transaction (ii) as step acquisition of Ganji on August 6, 2015. The Group believes the investment in the Equity Funds which acquired Ganji will allow the Group to leverage the Ganji platform and create business synergy for the Group's online local services platform.

Because of the step acquisition, the Company became the beneficial owner of an aggregate of 99.6% equity interest in Ganji. The remaining 0.4% interest in Ganji was owned by Tencent. In relation to this noncontrolling interest in Ganji, a put option agreement was entered into between the Company and Tencent in 2015, where the Company has also granted to Tencent a right to sell all of Tencent's interest in Ganji (the "Put Option").

The Company determined that the Put Option over Tencent's noncontrolling interest in Ganji was considered on a combined basis and was accounted for as mezzanine classified noncontrolling interest as a whole as the noncontrolling interest can be redeemed by Tencent through exercising the Put Option and the carrying amount of the mezzanine classified noncontrolling interest initially recognized on August 6, 2015 was accreted using effective interest method to the accreted value pursuant to the Put Option agreement.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

On the acquisition date of Ganji, the mezzanine classified noncontrolling interest is recognized and measured at fair value by the Company in accordance with ASC 805-20-30-1 and ASC 480-10-S99-3A and the Company's previously held interest in Ganji (i.e. the less than 50% investment as a result of Transaction (i)) was remeasured to fair value on the same date in accordance with ASC 805-10-25-10.

By applying a market approach and an income approach, the fair value of the mezzanine classified noncontrolling interest and the fair value of the previously held equity interest in Ganji were estimated to be RMB86,507 (US\$14,140) and RMB7,248,199 (US\$1,184,714), respectively. These fair value measurements of the noncontrolling interest and the previously held equity interest are based on significant inputs not observable in the market, and thus represent Level 3 measurements. The Group recognized a loss of RMB224,302 (US\$35,217) as a result of the remeasurement of the previously held equity interest in Ganji upon completion of the step acquisition in Ganji.

The fair value estimates for the noncontrolling interest and the previously held equity interest are based on (1) an assumed discount rate of 15.6%, (2) an assumed terminal growth rate of 3.0%, (3) assumed financial multiples of reporting entities deemed to be similar to Ganji, and (4) assumed adjustments because of the lack of control or lack of marketability, as relevant, that market participants would consider when estimating the fair value of the noncontrolling interest and the previously held equity interest in Ganji.

The Group made estimates and judgments in determining the fair value of acquired assets and liabilities, with the assistance of an independent valuation firm and management's experience with similar assets and liabilities. The allocation of the purchase price is as follows:

	Amounts	
	RMB	Amortization Years
Net assets acquired	78,605	
Amortizable intangible assets		
Domain names and trademarks	1,435,918	9.4
Technology	148,670	4.4
Mezzanine classified noncontrolling interest	(86,507)	
Goodwill	15,974,683	
Deferred tax liabilities	(396,147)	
Total	<u>17,155,222</u>	
Total purchase price comprised of		
-Cash consideration	2,799,890	
-Equity consideration	7,107,133	
-Fair value of previously held equity interests	7,248,199	
Total	<u>17,155,222</u>	

The total cash consideration of RMB2,799,890 (US\$457,640) less cash acquired of RMB377,039 (US\$61,627) and consideration payable of RMB982,923 (US\$151,368) resulted in a net cash outlay of RMB1,501,830 (US\$244,645) at the acquisition date. The excess of purchase price over the fair value of assets acquired and liabilities assumed of the business acquired was recorded as goodwill. The goodwill primarily represents the expected synergies from combining the Group's 58.com platform with Ganji's platform and fully integrating each service category. The goodwill is not expected to be deductible for tax purposes. No subsequent purchase price adjustment has been made.

During the year of 2016, RMB806,383 (US\$122,413) was paid for transaction(i) and RMB662,722 (US\$100,540) was paid for transaction (ii). As of December 31, 2016, the consideration payable balance was RMB305,818 (US\$44,085).

(c) Other acquisitions

In 2015, the Group also completed other acquisitions that will be accounted for as business acquisitions. The Group made estimates and judgments in determining the fair value of acquired assets and liabilities, with the assistance of an independent valuation firm and management's experience with similar assets and liabilities. The allocation of the purchase price of all the other acquisitions is summarized below:

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

	Amounts	
	RMB	Amortization Years
Net assets acquired	162,255	
Amortizable intangible assets		
Domain names and trademarks	52,100	9-10
Technology	5,300	4-5
Customer relationship	10,600	2-3
Goodwill	175,343	
Deferred tax liabilities	(7,175)	
Bargain purchase gain	(10,641)	
Less noncontrolling interest	(48,250)	
Total consideration in cash	339,532	

The total cash consideration of RMB339,532 less cash acquired of RMB66,878, cash consideration payable of RMB2,479 and consideration prepaid in 2014 of RMB4,000 resulted in a net cash outlay of RMB266,175 at the acquisition date.

During 2016, RMB479 was paid and as of December 31, 2016, the consideration payable balance is RMB2,000.

(d) Unaudited pro forma total revenue and net loss of the Group reflecting acquisitions made in 2015

The total revenue and net loss arising from acquisitions made in 2015 that are included in the Group's consolidated statement of comprehensive income/(loss) for the year ended December 31, 2015 were RMB1,179,517 and RMB500,524, respectively.

The following summary of unaudited pro forma results of operations of the Group for the years ended December 31, 2014 and 2015 is presented using the assumption that the acquisitions made in 2015 were completed as of January 1, 2014. These pro forma results of the Group have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would have resulted had the acquisitions occurred as of January 1, 2014, nor is it indicative of future operating results. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable.

	For the year ended December 31,	
	2014	2015
	(unaudited)	(unaudited)
Pro forma total revenues	2,854,782	5,221,763
Pro forma net loss	(595,009)	(3,441,828)

5. Deconsolidation of 58 Home

58 Home has been the holding company of the 58 Home business and a majority owned entity of the Company since its establishment in late 2014. The Company owned 80 million ordinary shares issued by 58 Home ("58 Home Ordinary Shares").

In February 2015, 58 Home adopted its 2015 Share Incentive Plan ("58 Home 2015 Plan"). In February 2015, 58 Home granted 9.1 million restricted shares to the selected management members of 58 Home. In April 2015, 58 Home further granted approximately 1.9 million restricted shares to a senior management member of the Company. All of these restricted shares were fully vested on the respective grant dates. Share-based compensation expense amounted to RMB12,151 was recognized for the period from respective grant dates to November 27, 2015 with respect to the grant of the restricted shares. These holders of restricted shares are referred to as "noncontrolling interests" of 58 Home. Other share-based awards granted by 58 Home to its employees were discussed in Note 23.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

On October 12, 2015, a share subscription agreement (the “58 Home Share Subscription Agreement”) was entered into among 58 Home and certain investors whereby 58 Home agreed to issue to the investors 40.8 million Series A convertible preference shares (“58 Home Series A Preference Shares”), at a price of US\$7.3529 per share, amounting to an aggregate purchase price of RMB1,917,450 (US\$300,000). Investors of the 58 Home Series A Preference Shares included the Company who paid RMB63,915 (US\$10,000) for approximately 1.4 million 58 Home Series A Preference Shares and other new investors who paid RMB1,853,535 (US\$290,000) aggregately to subscribe the remaining approximately 39.4 million 58 Home Series A Preference Shares.

Before closing of the transaction, in November 2015, pursuant to the 58 Home Share Subscription Agreement, the Company unilaterally contributed RMB640,743 (US\$100,638) as additional paid-in capital to 58 Home by waiving RMB640,743 (US\$100,638) receivable from 58 Home. Because the noncontrolling ordinary shareholders of 58 Home are employees of the Group, the unilateral capital contribution by the Company resulted in the increase in the noncontrolling interests of 58 Home by RMB77,338 (US\$12,147) and the corresponding amount was recognized as employee compensation expense in the Group’s consolidated statements of comprehensive income/(loss).

Pursuant to the Amended and Restated Memorandum of Association of 58 Home adopted on October 26, 2015, certain approval rights were granted to a noncontrolling preference shareholder of 58 Home in relation to (i) annual budget and (ii) employment of certain key management members of 58 Home. These approval rights granted to the noncontrolling preference shareholder of 58 Home were considered as substantive participating rights in accordance with ASC 810-10. As a result, the Group has deconsolidated 58 Home since the completion of the transaction on November 27, 2015.

On the date of deconsolidation, the Group derecognized the assets and liabilities, including allocated goodwill attributable to 58 Home, which amounted to RMB1,329,341 (US\$207,833), derecognized noncontrolling interests of 58 Home and recognized the investment in 58 Home Series A Preference Shares at fair value of RMB63,915 (US\$10,000), the investment in 58 Home Ordinary Shares at fair value of RMB1,636,224 (US\$256,000), and a gain on deconsolidation of 58 Home of RMB292,849 (US\$45,998).

Subsequent to the completion of the transaction, the Group continued to retain equity interest in 58 Home through its ownership of 80 million 58 Home Ordinary Shares, representing 87.9% ordinary share equity interest in 58 Home, and of approximately 1.4 million 58 Home Series A Preference Shares. The Company’s investment in 58 Home Ordinary Shares was accounted for as equity method investment in accordance with ASC 323. The Company has shared 87.9% of net loss of 58 Home for the period from November 27, 2015 to December 31, 2015 and recorded an investment loss of RMB59,883 (US\$9,288). On the other hand, the Company’s investment in the 58 Home Series A Preference Shares was accounted for as cost method investment in accordance with ASC 325-20 because the preference shares were not considered as in-substance common stock and the shares do not have readily determinable fair value or quoted market price.

In accordance with Rule 4-08(g) of Regulation S-X, the Company summarized the condensed financial information of 58 Home for the period in which it was accounted for by equity method.

	For the period from November 27 to December 31, 2015	For the year ended December 31, 2016
	RMB	RMB
Operating data:		
Total revenues	331	114,484
Gross profit/(loss)	(556)	90,527
Loss from operations	(69,994)	(975,358)
Net loss	(68,103)	(1,015,209)

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

	As of December 31,	
	2015	2016
Balance sheets data:	RMB	RMB
Current assets	1,517,326	1,286,858
Non-current assets	540,938	118,233
Current liabilities	165,275	376,174
Mezzanine equity	1,948,080	2,081,100
Total shareholders' deficit	(55,091)	(1,052,183)

Intangible assets amounted to RMB304,500 and the related deferred tax liability amounted to RMB76,125 were recognized on the date of the deconsolidation as a result of attributing the basis difference between the Company's initial cost of investment in 58 Home and the Company's share of the carrying value of the net assets of 58 Home. During the years ended December 31, 2015 and 2016, the basis difference arising from the abovementioned asset and liability aggregate resulted in net increase of RMB2,034 and RMB24,405, respectively in the Company's share of 58 Home's losses in the consolidated statement of comprehensive income/(loss).

6. Disposal of Guazi and conversion of Guazi Convertible Note

As part of the acquired Ganji business, Guazi is engaged in the business of operating an online C2C platform for trading used cars and providing relevant services.

On December 31, 2015, the following transactions were completed pursuant to a share purchase agreement, dated November 25, 2015, by and among the Company, the entities of Guazi and Mr. Haoyong Yang, former co-chairman of the Company's board of directors (the "Guazi Purchaser"):

- The Company transferred 54.4% ownership interest in Guazi to the Guazi Purchaser in return for cash proceeds of RMB324,680 (US\$50,000).
- The Company concurrently used the proceeds of RMB324,680 (US\$50,000) to invest in a RMB324,680 (US\$50,000) non-interest bearing Guazi Convertible Note. The Guazi Convertible Note is convertible into preference shares of Guazi to be issued in Guazi's subsequent round of financing at the same price paid by other investors.
- The Company retained 45.6% ownership interest in Guazi by purchasing 38.8 million Series A convertible and redeemable preference shares of Guazi (the "Series A Guazi Shares") at the par value of the shares.

The negotiation and execution of the transactions mentioned above were not dependent with the acquisition of Ganji.

As a result of the Company's loss of control over Guazi on December 31, 2015, the Company derecognized the assets and liabilities, including allocated goodwill attributable to Guazi, which amounted to RMB180,445 (US\$27,788), and recognized the investment in Series A Guazi Shares at fair value of RMB348,602 (US\$53,684), the investment in Guazi Convertible Note at fair value of RMB307,212 (US\$47,310), a gain on disposal of Guazi of RMB472,223 (US\$73,240) on December 31, 2015.

The Series A Guazi Shares and the Guazi Convertible Note were considered as the consideration received by the Company in return for the disposal of Guazi. The Company assessed the fair values of the Series A Guazi Shares and Guazi Convertible Note on the disposal date with the assistance of a third-party independent valuation specialist. The fair values were based on significant inputs not observable in the market, and thus represented Level 3 measurements.

Subsequently, the investment in Series A Guazi Shares was accounted for under cost method in accordance with ASC 325-20 as the shares held by the Company were not considered in-substance common stock and the shares do not have readily determinable fair value. The Company also determined that the host contract of Series A Guazi Shares is equity in nature and there was no embedded derivative that needs to be separately accounted for in accordance with ASC 815-15-25-1.

The Company accounted for its investment in Guazi Convertible Note under ASC 310 which was carried at amortized cost using effective interest rate method and presented it as a long term prepayment for additional shares of Guazi upon note conversion.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

In March 2016, the Company converted the entire amount of Guazi Convertible Note into 62.5 million Guazi Series B1 Shares based on a conversion price of US\$0.80 per share. Upon the conversion, the Company recognized a loss of RMB84,177 (US\$12,938) in “others, net” in its consolidated statement of comprehensive income/(loss), which resulted from different liquidation preferences and participating rights among the sub classes of Guazi Series B preference shares, although the conversion price was the same as the issuance price paid by other Series B preference share investors of Guazi. The different liquidation preferences and participating rights among the sub classes of Guazi Series B preference shares were resulted from negotiation between the Company and various investors during Guazi Series B round of financing which commenced and completed in the first quarter of 2016.

The Guazi Series B1 Shares was measured at fair value of RMB239,468 (US\$37,063) on the date of conversion with the assistance of a third-party independent valuation specialist. The fair value was based on significant inputs not observable in the market, and thus represented Level 3 measurements. The investment in Guazi Series B1 Shares was accounted for under cost method as the shares invested by the Group were not considered as in-substance common stock and the shares did not have readily determinable fair value or quoted market price.

7. Disposal of Mayi and concurrent investment in Tujia

On June 20, 2016, the Company disposed its entire interest in Mayi, a majority-owned subsidiary which is engaged in online marketplace business for people to list and reserve short-term accommodations in Mainland China to Tujia, a competitor in the short-term accommodation business in Mainland China. The disposal of interest included an aggregate number of 16 million ordinary shares and approximately 1.7 million Series A preference shares of Mayi (the “Disposal Transaction”). In return, approximately 3.9 million Tujia Ordinary Shares were issued to the Company.

In addition to the Disposal Transaction, on June 20, 2016, the Company made additional investment in Tujia including the purchase of approximately 5.2 million Tujia Ordinary Shares and 2.3 million Tujia Series D Preference Shares by (i) paying RMB65,874 (US\$10,000) in cash, and (ii) providing future services with fair value of approximately RMB79,132 (US\$12,043) (the “Investment Transaction”).

Upon completion of the above transactions, the Company derecognized the assets and liabilities, including allocated goodwill attributable to Mayi, amounted to RMB78,323 (US\$11,920). As a result of the disposal of Mayi, the Company recognized a gain on disposal of Mayi of approximately RMB79,581 (US\$12,081) and obtained less than 5% ownership in Tujia through its investment in an aggregate number of approximately 9.2 million Tujia Ordinary Shares and 2.3 million Tujia Series D Preference Shares. The Company's investment in Tujia Ordinary Shares was accounted for as cost method as the Company does not have ability to exercise significant influence over operating and financial policies of Tujia through the investment in Tujia Ordinary Shares and the shares do not have readily determinable fair value or quoted market price. The Company's investment in Tujia Series D Preference Shares was also accounted for as cost method because the Tujia Series D Preference Shares were not considered as in-substance common stock and the shares do not have readily determinable fair value or quoted market price.

8. Short-term investments

Short-term investments consisted of the following:

	As of December 31,	
	2015	2016
	RMB	RMB
Variable-rate financial instruments	190,590	833,480
Available-for-sale securities	77,060	—
Total	267,650	833,480

Variable-rate financial instruments represent investments in wealth management products with variable interest rates or principal non-guaranteed which were purchased from commercial banks and other financial institutions. The fair values are based on cash flow discounted using the judgment that expected return will be obtained upon maturity.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

The Group purchased stock of a US listed company in private placement in December 2014 at a cost of RMB61,184 (US\$10,000) and accounted for it as available-for-sale securities. In April 2016, the Group received total cash proceeds of RMB61,776 (US\$9,539) and recognized approximately RMB2,989 (US\$461) investment loss upon the disposal of the available-for-sale securities.

9. Accounts receivable, net

Accounts receivable, net, consists of the following:

	As of December 31,	
	2015	2016
	RMB	RMB
Accounts receivable	389,074	476,611
Allowance for doubtful accounts	(38,214)	(51,719)
Accounts receivable, net	350,860	424,892

Movement of allowance for doubtful accounts is as follows:

	As of December 31,	
	2015	2016
	RMB	RMB
Balance at beginning of year	—	38,214
Addition due to acquisition	29,430	—
Provisions	15,951	14,694
Reversals	(4,279)	(957)
Write-offs	(2,888)	(232)
Balance at end of year	38,214	51,719

10. Prepayments and other current assets

The following is a summary of prepayments and other current assets:

	As of December 31,	
	2015	2016
	RMB	RMB
Prepaid advertising fees	79,216	105,252
Employee advances	71,131	84,589
Input VAT	76,600	72,337
Rental and other deposits	126,614	52,062
Prepaid rental	33,759	32,751
Notes and other receivables	46,184	24,612
Prepayment for service fees	46,787	16,577
Others	18,923	37,876
Total	499,214	426,056

The prepaid advertising fees represent prepayments to third parties for advertising services, mainly through television, internet and outdoor media. The advertising expenses are recognized in sales and marketing expenses subsequently, when the services are received.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

11. Property and equipment, net

The following is a summary of property and equipment, net:

	As of December 31,	
	2015	2016
	RMB	RMB
Buildings	519,309	1,172,236
Computers and equipment	364,136	463,461
Leasehold improvements	109,452	138,463
Software	22,827	39,909
Furniture and fixtures	15,140	19,008
Motor vehicles	8,029	7,173
Total	1,038,893	1,840,250
Less: Accumulated depreciation	(239,578)	(359,329)
Net book value	799,315	1,480,921

Depreciation expenses for the years ended December 31, 2014, 2015 and 2016 were RMB34,360, RMB91,471 and RMB175,636, respectively.

12. Intangible assets, net

The following is a summary of intangible assets, net:

	As of December 31,	
	2015	2016
	RMB	RMB
Cost		
Domain names and trademarks	1,642,175	1,642,844
Technology	215,065	215,065
Customer relationship	25,616	25,616
Total	1,882,856	1,883,525
Accumulated amortization		
Domain names and trademarks	(86,717)	(259,971)
Technology	(25,859)	(72,566)
Customer relationship	(7,555)	(18,760)
Total	(120,131)	(351,297)
Net book value	1,762,725	1,532,228

Amortization expenses for the years ended December, 2014, 2015 and 2016 were RMB78, RMB117,647 and RMB231,113, respectively. During the corresponding periods, no impairment was recognized in the consolidated statements of comprehensive income/(loss).

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

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

	Amounts RMB
For the year ended December 31, 2016	
2017	224,266
2018	221,661
2019	218,584
2020	174,247
2021	171,873
Thereafter	521,597
Total	<u><u>1,532,228</u></u>

13. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2016 were as follows:

	Amounts RMB
Balance as of December 31, 2014	—
Additions	17,491,786
Deconsolidation and disposal of subsidiaries	<u>(1,509,786)</u>
Balance as of December 31, 2015	<u>15,982,000</u>
Deconsolidation and disposal of subsidiaries	<u>(78,323)</u>
Balance as of December 31, 2016	<u><u>15,903,677</u></u>

In the annual impairment assessment of goodwill, the Company concluded that there was no impairment charge for the year ended December 31, 2016.

14. Long-term investments

The following is a summary of long-term investments:

	As of December 31,	
	2015 RMB	2016 RMB
Cost method investments:		
Investment in Series A Guazi Shares (a)	348,602	629,508
Investee B (b)	—	286,672
Investee C	218,979	233,931
Investee D	129,872	138,740
Investee E (c)	97,404	—
Investment in 58 Home Series A Preference Shares (d)	64,936	69,370
Others (e)	72,768	157,578
Total cost method investments	<u>932,561</u>	<u>1,515,799</u>
Equity method investments:		
Investment in 58 Home Ordinary Shares (d)	1,572,066	594,593
Others	5,653	8,069
Total equity method investments	<u>1,577,719</u>	<u>602,662</u>
Total long-term investments	<u><u>2,510,280</u></u>	<u><u>2,118,461</u></u>

(a) As a result of the disposal of Guazi in 2015, the Group retained certain interests in Guazi by investing in (i) 38.8 million Guazi Series A Shares and (ii) a RMB324,680 (US\$50,000) non-interest bearing Guazi Convertible Note.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

The investment in Guazi Series A Shares was measured at fair value of RMB348,602 (US\$53,684) on the date of disposal and was subsequently accounted for under cost method as the shares invested by the Group were not considered as in-substance common stock and the shares do not have readily determinable fair value or quoted market price.

The investment in Guazi Convertible Note was carried at amortized cost using effective interest rate method under ASC 310. In March, 2016, the Company converted the entire amount of Guazi Convertible Note into 62.5 million Guazi Series B1 Shares based on a conversion price of US\$0.80 per share. Upon the conversion, the Company recognized a loss of RMB84,177 (US\$12,938) which resulted from different liquidation preferences and participating rights among the sub classes of Guazi Series B preference shares, although the conversion price was the same as the issuance price paid by other Series B preference shares investors of Guazi.

The investment in Guazi Series B1 Shares was measured at fair value of RMB239,468 (US\$37,063) on the date of conversion and was subsequently accounted for under cost method as the shares invested by the Group were not considered as in-substance common stock and the shares do not have readily determinable fair value or quoted market price.

(b) The investment in Tujia Ordinary Shares and Tujia Series D Preference Shares was measured at fair value of RMB286,672 (US\$41,325) on the date of investment and was subsequently accounted for under cost method. For the details, please refer to Note 7.

(c) In 2015, the Group acquired shares of investee E for cash consideration of RMB97,404 (US\$15,000). Investee E is mainly engaged in the business of operating a real estate internet portal. The investment is accounted for under cost method as the shares invested by the Group were not considered as in-substance common stock and the shares do not have readily determinable fair value. At December 31, 2016, the investment was impaired based on management analysis.

(d) As a result of the deconsolidation of 58 Home on November 27, 2015, the Group continues to retain equity interest in 58 Home through its ownership of 80 million 58 Home Ordinary Shares and of approximately 1.4 million 58 Home Series A Preference Shares. The Company's investment in 58 Home Ordinary Shares was accounted for as equity method investment in accordance with ASC 323. For the year ended December 31, 2016, the Group recorded an investment loss of RMB923,156 in share of results of equity investees in the consolidated statements of comprehensive income/(loss). The Company's investment in 58 Home Series A Preference Shares was accounted for as cost method investment as 58 Home Series A Preference Shares were not considered as in-substance common stock and the shares do not have readily determinable fair value or quoted market price.

(e) In 2016, the Group acquired shares of other companies for an aggregate cash consideration of RMB96,402. The cash consideration paid for each of these investments was no more than RMB30,000. These investments are accounted for under cost method as the shares invested by the Group were not considered as in-substance common stock and the shares do not have readily determinable fair value. During 2016, other cost method investment amounted to RMB38,352 was fully impaired because the operation metrics were not performing to the expectations.

The Company continually reviews its long-term investments to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the financial condition, operating performance and the prospects of the equity investee; and other company specific information such as recent financing rounds. If the decline in fair value is deemed to be other than temporary, the carrying value of the equity investee is written down to fair value. An impairment charge in connection with cost method investments of RMB nil, RMB6,119 and RMB142,125 was fully recorded in investment income/(loss), net in the consolidated statements of comprehensive income/(loss) for the years ended 2014, 2015 and 2016, respectively, because the operation metrics were not performing to the expectations. No impairment charge related to equity method investments was recorded for the years ended 2014, 2015 and 2016, respectively.

15. Long-term prepayments and other non-current assets

The following is a summary of long-term prepayments and other non-current assets:

	As of December 31,	
	2015	2016
	RMB	RMB
Long-term receivable	—	145,507
Investment in Guazi Convertible Note	307,212	—
Prepayment for acquisition and investments	35,198	—
Rental deposits	22,788	28,119
Prepayment for purchase of property and equipment	647,894	1,734
Others	21,491	48,407
Total	1,034,583	223,767

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

The long-term receivable primarily represented receivables in connection with the Group's second-hand automotive business.

16. Short-term loans

On July 31, 2015, the Company issued a RMB2,447,240 (US\$400,000) convertible note to a subsidiary of Tencent for a cash consideration of RMB2,447,240 (US\$400,000) ("Original Convertible Note") (See also Note 4(b)(ii)). The Original Convertible Note was issued at par, bearing a base interest rate of 5% per annum, with December 20, 2015 being the maturity date ("Original Maturity Date"). Pursuant to the note agreement, the Company was allowed to early repay the whole or any part of the principal amount of the note prior to the Original Maturity Date, without premium or penalty and Tencent shall have the right to convert all or portion of the outstanding loan amount into ordinary shares of the Company at a discount if the loan together with interest accrued is not paid on the Original Maturity Date.

On December 11, 2015, which was before the Original Maturity Date, the Company issued approximately 4.3 million Class A ordinary shares to Tencent to early repay RMB805,950 (US\$125,000) principal amount and settle the accrued interest payable of RMB46,988 (US\$7,288) of the Original Convertible Note. Also on the same date, the Company and Tencent entered into an amendment to the Original Convertible Note (the "Note Amendment"), pursuant to which the Original Convertible Note was replaced by a new convertible note (the "Amended Convertible Note") issued to Tencent. The principal amount of the Amended Convertible Note was RMB1,773,090 (US\$275,000), the interest rate increased to 6% and the maturity date of the Amended Convertible Note was June 20, 2016.

The Company determined that the Note Amendment was accounted for as a debt modification, not a debt extinguishment because the changes of the cash flow before and after the Note Amendment were less than 10% pursuant to ASC 470-50-40-12. Therefore, interest expense for the period from July 31, 2015 to December 11, 2015 was recognized based on 5% per annum and principal amount of the Original Convertible Note, and subsequently, interest expense for the period from December 12, 2015 to December 31, 2015 was recognized based on 6% per annum and the reduced principal amount of the Amended Convertible Note.

The Company determined that the embedded features of the Original and Amended Convertible Note are not required to be bifurcated and accounted for as derivatives because they are neither assessed to be material nor are considered clearly and closely related to the economic characteristics and risks of the host debt contract pursuant to ASC 815-15-25-1(a) and ASC 815-15-25-42.

In April 2016, the Company obtained an interest-bearing loan of RMB1,780,955 (US\$275,000) in U.S. dollar from CMB Bank, which was secured by 12.4 million Class B ordinary shares personally owned by Mr. Jinbo Yao, the chief executive officer of the Group. Based on the covenant of the loan agreement, if the aggregate fair value of the pledged shares on any trading date was less than 120% of the outstanding amount of the corresponding loan and accrued interest payable, the Company is required to pledge sufficient amount of cash or the chief executive officer of the Group can pledge additional number of shares to cover the shortfall in the fair value of the pledged shares. The Company used the proceeds from this loan to early repay the RMB1,780,955 (US\$275,000) principal and RMB32,789 (US\$5,063) accrued interest of the Amended Convertible Note borrowed from Tencent. In 2016, the Company repaid RMB1,138,222 (US\$167,500) principal and RMB42,072 (US\$6,288) accrued interest payable of the loan borrowed from CMB Bank. On April 21, 2017, the remaining balance of the loan amounted to RMB739,847 (US\$107,500) was fully repaid and CMB Bank has agreed to release the shares pledged accordingly.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

In September and December 2016, the Company obtained interest-bearing loans amounted to RMB1,072,348 (US\$157,500) from CMB Bank, which will be due in September and December 2017, respectively. The new bank borrowings were secured by one-year term deposits amounted to RMB1,148,507 (US\$165,563), which was classified as restricted cash in the Company's consolidated balance sheets. As of December 31, 2016, outstanding short-term bank loans and accrued interest payable due to CMB Bank amounted to RMB1,842,720 (US\$265,636).

17. Accounts payable

The following is a summary of accounts payable:

	As of December 31,	
	2015	2016
	RMB	RMB
Payable for advertisement fees	527,261	458,265
Rebate payable to sales agents	67,514	92,234
Payable related to purchases of property and equipment	42,449	36,967
Payable to group buying merchants	6,909	3,982
Others	15,844	20,499
Total	659,977	611,947

18. Accrued expenses and other current liabilities

The following is a summary of accrued expenses and other current liabilities:

	As of December 31,	
	2015	2016
	RMB	RMB
Acquisition consideration payable	1,919,183	307,818
Accrued office expenses	87,893	117,841
Deposits from sales agents and others	41,643	76,437
Accrued telecom and bandwidth fees	24,325	66,519
Other payable to platform users	15,082	63,824
Accrued professional fees	16,909	28,396
Government subsidy	11,900	16,478
Payable to employees for proceeds of selling their share-based awards	21,134	2,177
Others	43,136	48,414
Total	2,181,205	727,904

Acquisition consideration payable consists of consideration payable related to acquisitions of Anjuke, Ganji and other acquisitions. Please refer to Note 4 for details.

19. Long-term loan

The Company obtained a three-year interest bearing bank loan of RMB150,000 from Shanghai Pudong Development Bank Co., Ltd. in December 2016, which was secured by an office building of the Company as collateral. Pursuant to the loan repayment schedule, the principal amount will be paid in four equal installments from June 2018 to November 2019.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

20. Fair value measurements

Measured on recurring basis

The Group measured its financial assets including cash equivalents, term deposits and short-term investments at fair value on a recurring basis as of December 31, 2015 and 2016. The following table sets forth the financial instruments, measured at fair value at recurring basis, by level within the fair value hierarchy:

Financial instruments	Fair value hierarchy	As of December 31,	
		2015 RMB	2016 RMB
Cash equivalents	Significant other observable inputs (Level 2)	19,169	15,955
Term deposits	Significant other observable inputs (Level 2)	—	26,361
Short-term investments			
- Variable-rate financial instruments	Significant other observable inputs (Level 2)	190,590	833,480
- Available-for-sale securities	Quoted Prices in Active Market for Identical Assets (Level 1)	77,060	—

Cash equivalents, term deposits and variable-rate financial instruments

The Group measures cash equivalents, term deposits and variable-rate financial instruments at fair value based on the pervasive interest rates in the market, which are also the interest rates as stated in the contracts with the banks. The Group classifies the valuation techniques that use the pervasive interest rates input as Level 2 of fair value measurements. Generally there are no quoted prices in active markets for identical time deposits at the reporting date. In order to determine the fair value, the Group must use the discounted cash flow method and observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Available-for-sale securities

The Group measures available-for-sale securities at fair value. As the available-for-sale securities are stocks of a public traded company, the Group determines the fair value of the available-for-sale securities according to the quoted market price at the end of each period. The Group classifies the valuation techniques as Level 1 of fair value measurement.

Variable-rate financial instruments

The Group measures variable-rate financial instruments at fair value. As the variable-rate financial instruments represent investments in wealth management products with variable interest rates or principal non-guaranteed which were purchased from commercial banks and other financial institutions. The fair values are based on cash flow discounted using the judgment that expected return will be obtained upon maturity. The Group classifies the valuation techniques as Level 2 of fair value measurement.

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

Short-term receivables and payables

Accounts receivable and prepaid expenses and other current assets are financial assets with carrying values that approximate fair value due to their short term nature. Accounts payable and accrued expenses and other current liabilities are financial liabilities with carrying values that approximate fair value due to their short term nature. The Group estimates fair values of short-term receivables and payables and classifies the valuation technique as Level 3 of fair value measurement, as it uses estimated cash flow input which is unobservable in the market.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

Non-current assets and non-current liabilities

Non-current assets of receivables for rental deposits is a financial asset with carrying value that approximate fair value due to the impact of discounting is immaterial. Accrued expenses and other liabilities, non-current portion is a financial liability with carrying value that approximate fair value due to the impact of discounting is immaterial. The Group estimated fair values of non-current assets and non-current liabilities using the discounted cash flow method. The Group classifies the valuation technique as Level 3 of fair value measurement, as it uses estimated cash flow input which is unobservable in the market.

Measured on non-recurring basis

The Group's non-financial assets, such as long-term investments, intangible assets and goodwill would be measured at fair value only if they were determined to be impaired.

Intangible assets and Goodwill

The inputs used to measure the estimated fair value of goodwill are classified as Level 3 fair value measurement due to the significance of unobservable inputs used such as historical financial information and assumptions about future growth rates and discount rates, which require significant judgment and company-specific information.

Long-term investments

As of December 31, 2015 and 2016, the Group had RMB2,510,280 and RMB2,118,461, respectively, long-term investments in equity securities of privately-held companies. Such investments are reviewed periodically for impairment using fair value measurement which requires significant unobservable inputs (Level 3). Impairment charges of RMB6,119 and RMB142,125 were recorded in the consolidated statements of comprehensive income/(loss) for the year ended December 31, 2015 and 2016, respectively. No impairment charge was recorded for the years ended December 31, 2014.

21. Income taxes

The Company is registered in the Cayman Islands. The Company generated substantially all of its income/(loss) from its PRC operations for the years ended December 31, 2014, 2015 and 2016.

Cayman Islands ("Cayman")

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 the shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands ("BVI")

The Group is exempted from income tax in the BVI on its foreign-derived income. There are no withholding taxes in the BVI.

Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profit 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 PRC enacted an Enterprise Income Tax Law ("EIT Law"), under which FIEs and domestic companies would be subject to EIT at a uniform rate of 25%. The EIT law became effective on January 1, 2008.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

The EIT Law and its implementing rules also permit qualified “High and New Technology Enterprises” (“HNTE”) to enjoy a preferential enterprise income tax rate of 15% upon filing with relevant tax authorities. The qualification as a HNTE generally has a valid term of three years and the renewal of such qualification is subject to review by the relevant authorities in China. Beijing 58 obtained HNTE certificate in 2009 and renewed the certificate in 2012 and again in 2015. Beijing 58 Auto obtained HNTE certificate in 2013 and renewed the certificate in 2016. Wanglin obtained HNTE certificate in 2012 and renewed the certificate in 2015. Shanghai Ruiting obtained HNTE certificate in 2010 and renewed the certificate in 2013 and again in 2016. Beijing 58, Beijing 58 Auto, Wanglin and Shanghai Ruiting are eligible to enjoy a preferential tax rate of 15% when they have taxable income under the EIT Law, as long as they maintain this qualification and obtain approval from the relevant tax authority.

In addition, qualified software enterprises are exempt from the enterprise income tax for two years beginning from their first profitable year and are entitled to a 50% tax reduction for the subsequent three years. The software enterprise qualification is subject to an annual assessment. Wanglin was determined as a software enterprise in July 2014. In April 2015, Wanglin was granted a two-year EIT exemption and a 50% reduction on its taxable income for the subsequent three years effective retroactively from January 1, 2014. As a qualified software enterprise, Wanglin is entitled to two-year tax holiday in 2014 and 2015 and a three-year 50% deduction on EIT rate in the subsequent years from 2016 to 2018. Wanglin prepaid income tax of approximately RMB7,349 in 2014 and received tax refund from local tax bureau in the second half of 2015. 58 Technology was determined as a software enterprise in December 2014. In March 2016, the local tax authority granted 58 Technology a two-year exemption followed by a three-year 50% reduction on its taxable income under the Enterprise Income Tax Law, effective retroactively from January 1, 2015. As a qualified software enterprise, 58 Technology is entitled to two-year tax holiday in 2015 and 2016 and a three-year 50% deduction on EIT rate in the subsequent years from 2017 to 2019.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year (“Super Deduction”). Wanglin, Beijing 58 and 58 Technology had claimed such Super Deduction in ascertaining its tax assessable profits for the years ended December 31, 2014, 2015 and 2016, respectively. In 2016, the Group’s acquired subsidiaries Shanghai Ruiting also claimed Super Deduction in ascertaining their respective tax assessable profits.

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.” Based on a review of surrounding facts and circumstances, the Company 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 EIT 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 was incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). Only a few entities including 58 Technology and Shanghai Ruiting etc. had accumulated undistributed earnings while most of the other subsidiaries and VIEs were in accumulated loss positions as of December 31, 2016. There Group’s subsidiaries and VIEs had not declared any dividend to their respective parent companies and had determined that it had no plan to declare or pay any dividends to the parent companies out of the accumulated undistributed earnings as of December 31, 2016. Accordingly, no deferred income tax was accrued and required to be accrued as of December 31, 2016.

The provisions for income tax expenses are summarized as follows:

	For the Year ended December 31,		
	2014	2015	2016
	RMB	RMB	RMB
Current tax benefit/(expenses)	(50,134)	14,027	(5,378)
Deferred tax benefit	12,046	34,759	56,358
Income tax benefit/(expenses)	<u>(38,088)</u>	<u>48,786</u>	<u>50,980</u>

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

The following table sets forth reconciliation between the statutory EIT rate and the effective tax rate:

	For the Year ended December 31,		
	2014	2015	2016
Statutory income tax rates	25.0%	25.0%	25.0%
Change in valuation allowance	20.7%	(14.0)%	(7.3)%
Permanent book-tax differences	(9.9)%	(15.4)%	(42.9)%
Reversal of deferred tax liabilities	—	2.1%	6.9%
Effect of preferential tax treatment	(14.3)%	5.2%	24.5%
Effective tax rate	<u>21.5%</u>	<u>2.9%</u>	<u>6.2%</u>

Deferred tax assets

The following table sets forth the significant components of the aggregate deferred tax assets and liabilities:

	As of December 31,	
	2015	2016
	RMB	RMB
<i>Deferred tax assets</i>		
Current:		
Provision for doubtful receivables	5,947	16,451
Less: valuation allowance	(5,389)	(15,842)
Total current deferred tax assets, net	<u>558</u>	<u>609</u>
Non-current:		
Net operating loss carry forwards	135,383	201,258
Advertising expenses in excess of deduction limit	415,193	241,333
Less: valuation allowance	(550,576)	(442,591)
Total non-current deferred tax assets, net	<u>—</u>	<u>—</u>
Total deferred tax assets, net	<u>558</u>	<u>609</u>
<i>Deferred tax liabilities</i>		
Non-current:		
Acquired intangible assets	430,117	373,810
Total non-current deferred tax liabilities	<u>430,117</u>	<u>373,810</u>
Total deferred tax liabilities	<u>430,117</u>	<u>373,810</u>

The current deferred tax assets of RMB609 were included in the prepayments and other current assets of the consolidated balance sheets.

The non-current deferred tax liabilities of RMB373,810 as of December 31, 2016 were mainly related to the intangible assets acquired during business acquisition in 2015 as set out in Note 4.

As of December 31, 2016, the Group had net operating loss carry forwards of RMB1,187,069 which will expire during the period between December 31, 2017 and December 31, 2021. There is no expiration for the advertising expenses that were in excess of annual deduction limit and carried forward.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

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 of most subsidiaries 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 most of its entities with these net accumulated operating losses and other deferred tax assets will not be utilized in the future except for RMB609 deferred tax assets recognized as of December 31, 2016. Therefore, the Group had valuation allowances of RMB230,577, RMB555,965 and RMB458,433 for the deferred tax assets as of December 31, 2014, 2015 and 2016, respectively.

Movement of valuation allowance

	For the years ended December 31,		
	2014	2015	2016
	RMB	RMB	RMB
Balance at beginning of the period	194,223	230,577	555,965
Provision	75,581	436,262	129,575
Current period reversal	(39,227)	(110,874)	(227,107)
Balance at the end of the period	<u>230,577</u>	<u>555,965</u>	<u>458,433</u>

The current period reversal of valuation allowance is primarily attributed to the utilization of net operating losses and deductible advertising expenses carried forward from prior years of certain entities that started to make profits in 2016.

As of December 31, 2016, the tax years ended December 31, 2012 through 2016 of the Company's PRC subsidiaries and the affiliated PRC entities are subjected to examination by the PRC tax authorities.

22. Ordinary shares

The Company was incorporated in the Cayman Islands in May 2011. The Company is authorized to issue a maximum of 5,000,000,000 shares with a par value of US\$0.00001 per share, comprised of 4,912,433,396 ordinary shares and 87,566,604 Preference Shares.

On August 30, 2013, the Group's Board of Directors approved that the Group redesigned the share capital and adopted a dual class ordinary share structure immediately upon the completion of IPO. Upon completion of the Group's IPO on November 5, 2013, the Company's shares were divided into Class A ordinary shares and Class B ordinary shares, at par value of US\$0.00001. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share, voting together as one class on all matters subject to a shareholders' vote. All of the outstanding ordinary shares prior to this offering were redesignated as Class B ordinary shares and all of the outstanding preference shares were automatically re-designated or converted into Class B ordinary shares on a one-for-one basis immediately upon the completion of the IPO.

As a result of the Group's follow-on offering on April 1, 2014, the Company issued and sold 2,000,000 ADSs and the selling shareholders sold an aggregate of 4,000,000 ADSs and 900,000 additional ADSs for the overallotment at the price of US\$38.00 per ADS.

On June 30, 2014, Tencent purchased 36,805,000 ordinary shares from the Company at a purchase price of US\$40.00 per ADS. The Group used part of the proceeds from this transaction to repurchase an aggregate of 27,603,750 ordinary shares from existing pre-IPO shareholders at the price of US\$40.00 per ADS.

On March 2, 2015, the Group completed the acquisition of 100% equity interest of Anjuke. Total consideration for this acquisition consisted of 4,839,372 newly issued ordinary shares and 248,216 fully vested RSUs of the Company and RMB985,427 (US\$160,198) in cash (See Note 4(a)).

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

On April 17, 2015, the Company entered into an investment agreement with a subsidiary of Tencent, pursuant to which Tencent purchased 15,384,616 newly issued ordinary shares of the Company for an aggregate cash consideration of RMB2,452,080 (US\$400,000).

On April 20, 2015, the Company applied the whole RMB2,452,080 (US\$400,000) proceeds from Tencent, together with additional cash from the Company of RMB75,015 (US\$12,237) and 34,039,136 newly issued ordinary shares of the Company, to acquire less than 50% equity interest in Ganji as mentioned in the "Transaction (i)" (See Note 4(b)(i)).

On August 6, 2015, the Company committed cash of RMB2,488,065 (US\$406,673) and 46,505,912 newly issued ordinary shares of the Company, to several private equity funds of which 46,505,912 ordinary shares and RMB1,666,546 (US\$272,396) cash were contributed to the funds in August 2015. These funds acquired the remaining equity interest in Ganji with Tencent (See Note 4(b)(ii)).

On December 11, 2015, the Company issued 4,267,344 Class A ordinary shares to Tencent to early repay RMB805,950 (US\$125,000) principal amount and settle the accrued interest payable of RMB46,988 (US\$7,288) of the Original Convertible Note (See Note 16).

As of December 31, 2016, 4,800,000,000 Class A ordinary shares and 200,000,000 Class B ordinary shares were authorized, 289,670,997 ordinary shares were issued and outstanding, of which 240,930,737 were Class A ordinary shares and 48,740,260 were Class B ordinary shares.

23. Share-based compensation

In March 2010, the Group authorized an employment- related stock incentive plan (the "2010 Plan"). The 2010 Plan will terminate automatically 10 years after its adoption, unless terminated earlier at the Group's shareholders' approval. According to the resolutions of the Board of Directors of the Group in April, November 2011 and January 2013, the number of ordinary shares available for issuance under the 2010 Plan was increased to 20,173,225. The majority of options granted under 2010 plan were to be vested over three or four years, one fourth (1/4) of which shall vest and become exercisable upon the first anniversary of the date of grant and the remaining shall vest monthly thereafter in 24 or 36 equal monthly installments.

The Group adopted a share incentive plan (the "2013 Plan") on September 26, 2013. The 2013 Plan will terminate automatically 10 years after its adoption, unless terminated earlier at the Group's shareholders' approval. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2013 Plan is 2,800,000 shares as of the date of its adoption. The number of shares reserved for future issuances under the 2013 Plan will be increased by a number equal to 1.5% of the total number of outstanding shares on the last day of the immediately preceding calendar year, on the first day of each calendar year during the term of the 2013 Plan beginning in 2015, or such lesser number of ordinary shares as determined by the Board of Directors. According to the resolutions of the Board of Directors of the Group in April and December 2015, the number of ordinary shares available for issuance under the 2013 Plan was increased to 17,932,158. The options and RSUs granted under the 2013 Plan were to be vested over three to five years, the majority of which shall have one fourth (1/4) vested and exercisable upon the first anniversary of the date of grant and the remaining shall vest every six months thereafter in equal installments.

As of December 31, 2016, the Group has reserved 3,081,575 ordinary shares available to be granted as share-based awards.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

A summary of the Group's share option activities for the years ended December 31, 2014, 2015 and 2016 is presented below:

	Number of Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Life In years	Aggregate Intrinsic Value
				US\$
Outstanding as of December 31, 2013	9,846,673	2.02	8.14	168,870
Granted	721,600	18.20		
Forfeited and expired	(388,260)	4.08		
Exercised	(3,391,943)	0.98		67,128
Outstanding as of December 31, 2014	6,788,070	4.14	7.75	112,925
Granted	1,638,600	20.72		
Forfeited and expired	(279,626)	7.22		
Exercised	(1,118,334)	3.10		27,785
Outstanding as of December 31, 2015	7,028,710	8.05	7.43	175,250
Granted	—			
Forfeited and expired	(646,030)	17.08		
Exercised	(934,880)	3.38		19,356
Outstanding as of December 31, 2016	5,447,800	7.78	6.39	43,531
Exercisable as of December 31, 2016	3,812,656	3.78	5.66	40,250
Fully vested and expected to vest as of December 31, 2016	11,798,282			

The weighted average grant date fair value of options granted for the years ended December 31, 2014 and 2015 was US\$11.43 and US\$12.05 per share, respectively.

The following table sets forth the summary of RSUs activities for the years ended December 31, 2014, 2015 and 2016:

	Number of RSUs	Weighted Average Remaining Contractual Life In years	Weighted Average Grant Date Fair Value
			US\$
Unvested as of December 31, 2013	—	—	
Granted	948,600		21.10
Forfeited	(54,000)		
Vested	—		
Unvested as of December 31, 2014	894,600	9.62	
Granted	10,369,278		25.69
Forfeited	(527,274)		
Vested	(4,963,116)		
Unvested as of December 31, 2015	5,773,488	9.51	
Granted	3,597,722		24.63
Forfeited	(1,077,996)		
Vested	(1,243,076)		
Unvested as of December 31, 2016	7,050,138	9.09	
Fully vested and expected to vest as of December 31, 2016	13,256,330		

Note:

(1) In March 2015, in connection with the acquisition of Anjuke, the Company issued 248,216 fully vested RSUs of the Company to former Anjuke's employees as part of the share consideration. In August 2015, in connection with our strategic investment in Ganji, the Company issued 4,449,002 fully vested RSUs of the Company to former Ganji's employees as part of the share consideration.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

In February 2015, 58 Home, a subsidiary of the Group, adopted its 2015 Share Incentive Plan, or the 58 Home 2015 Plan. The maximum aggregate number of shares which may be issued pursuant to all awards under the 58 Home 2015 Plan is 20,000,000 ordinary shares of 58 Home. The 58 Home 2015 Plan permits the awards of options, restricted shares and restricted share units. Unless terminated earlier, the 58 Home 2015 Plan will terminate automatically in 2025. In connection with the Series A round of equity financing closed on November 27, 2015, the maximum aggregate number of shares which may be issued under the 58 Home 2015 Plan was increased by 2,000,000 ordinary shares of 58 Home.

A summary of the 58 Home's share option activities for the years ended December 31, 2015 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	US\$	In years	US\$	
Outstanding as of December 31, 2014				
Granted	8,921,000	0.11		
Forfeited	(979,000)	0.13		
Outstanding as of December 31, 2015	7,942,000	0.11	8.99	22,780

In February 2015, 58 Home granted 9,100,000 RSs to selected management members of 58 Home. In April 2015, 58 Home further granted 1,880,000 RSs to a senior management member of the Company under the 58 Home 2015 Plan. All of these RSs were fully vested on the respective grant dates. Share-based compensation expense amounted to RMB12,151 was recognized during the year ended December 31, 2015 with respect to the grant of the RSs. These holders of RSs are referred to as "noncontrolling interests" of 58 Home. Please see Note 5 for details.

The weighted average grant date fair value of options granted for the year ended December 31, 2015 was US\$0.15 per share.

Valuation Assumptions: The Group estimated the fair value of share options using the Binomial option-pricing model with the assistance from an independent valuation firm.

The fair value of each option grant under the 2013 Plan was estimated on the date of grant with the following assumptions:

	2014	2015
Expected volatility	50.80%-53.30%	48.50%-49.00%
Risk-free interest rate (per annum)	3.01%-3.73%	2.67%-2.76%
Exercise multiple	2	2-2.8
Expected dividend yield	0.00%	0.00%
Expected term (in years)	10	10
Expected forfeiture rate (post-vesting)	0.30%-0.40%	0.17%-0.25%
Fair value of the underlying shares on the date of option grants (US\$)	19.26-22.95	10.93-24.85

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

The fair value of each option grant under the 58 Home 2015 Plan was estimated on the date of grant with the following assumptions:

	2015
Expected volatility	59.40%-60.00%
Risk-free interest rate (per annum)	2.46%-2.63%
Exercise multiple	2-2.8
Expected dividend yield	0.00%
Expected term (in years)	10
Expected forfeiture rate (post-vesting)	0.25%
Fair value of the underlying shares on the date of option grants (US\$)	0.10-0.27

The Group estimated the risk free rate 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 historical statistical data. Expected term is the contract life of the option. The expected volatility at the date of grant date and each option valuation date was estimated based on the historical stock prices of comparable companies. The Group has never declared or paid any cash dividends on its capital stock, and the Group does not anticipate any dividend payments on its ordinary shares in the foreseeable future.

Share-based compensation expenses for the share-based awards which are based on service conditions are recognized using the straight-line attribution approach.

For the years ended December 31, 2014, 2015 and 2016, the Group recognized share-based compensation expenses of RMB37,933, RMB176,605 and RMB266,575, respectively for share options and RSUs granted.

As of December 31, 2016, there was a total of RMB1,090,129 unrecognized compensation expenses, adjusted for estimated forfeitures, related to non-vested share-based compensation arrangement under the 2010 and 2013 Plan. The expense is expected to be recognized over a weighted average period of 3.37 years. Total unrecognized compensation expenses may be adjusted for future changes in estimated forfeitures.

24. Earnings/(loss) per share

The following table sets forth the computation of basic and diluted net earnings/(loss) per share for the periods indicated:

	As of December 31,		
	2014 RMB	2015 RMB	2016 RMB
Numerator:			
Net income/(loss)	139,433	(1,648,583)	(772,963)
Add: Net loss attributable to noncontrolling interests	—	80,705	4,916
Less: Deemed dividend to mezzanine classified noncontrolling interests	—	(5,762)	(15,717)
Numerator for basic and diluted net earnings/(loss) per share	139,433	(1,573,640)	(783,764)
Denominator:			
Weighted average number of ordinary shares used in computing net earnings/(loss) per share—basic	168,589,273	234,811,986	286,975,068
Weighted average number of ordinary shares used in computing net earnings/(loss) per share—diluted	174,024,997	234,811,986	286,975,068
Net earnings/(loss) per ordinary share attributable to ordinary shareholders - basic	0.83	(6.70)	(2.73)
Net earnings/(loss) per ordinary share attributable to ordinary shareholders - diluted	0.80	(6.70)	(2.73)
Net earnings/(loss) per ADS attributable to ordinary shareholders-basic (1 ADS represents 2 ordinary shares)	1.65	(13.40)	(5.46)
Net earnings/(loss) per ADS attributable to ordinary shareholders -diluted (1 ADS represents 2 ordinary shares)	1.60	(13.40)	(5.46)

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

Basic net earnings/(loss) per share is computed using the weighted average number of the ordinary shares outstanding during the period. Diluted net earnings/(loss) per share is computed using the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during the period. Class A and Class B ordinary shares are considered the same for the purposes of EPS calculation as they have identical earnings rights and preferences. For the year ended December 31, 2014, options to purchase ordinary shares included in the calculation of diluted net income per share totaled 5,435,724. For the years ended December 31, 2015 and 2016, options to purchase ordinary shares that were anti-dilutive and excluded from the calculation of diluted net loss per share totaled 7,851,775 and 5,517,699, respectively, on a weighted average basis.

25. Commitments and contingencies

(a) Commitments

The Group leases its facilities and offices under non-cancelable operating lease agreements. The rental expenses were RMB52,278, RMB186,707 and RMB222,192 during the years ended December 31, 2014, 2015, and 2016, respectively, and were charged to the statement of comprehensive income/(loss) when incurred.

Certain of these arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. The Group recognizes rental expense under such arrangements on the straight-line basis over the initial term of the lease. The difference between the straight-line expense and the cash paid for rent was recorded as prepaid rent.

The Group used third party services for server custody and bandwidth. The contracts are typically 12 months in duration. The Group typically contracts these services according to the traffic level of its online marketplace and the respective server storage and bandwidth required to support the traffic.

The Group engaged third parties for promoting its brand image through various advertising channels, including advertising on internet search engines, websites and other traditional off-line media. The amount of advertising commitments relates to the committed advertising services that have not been delivered and paid.

As of December 31, 2016, future minimum commitments under non-cancelable agreements were as follows:

	2017 RMB	2018 RMB	2019 RMB	2020 RMB	2021 RMB	Thereafter RMB	Total RMB
Operating lease commitments	175,552	145,442	82,660	43,982	34,021	2,942	484,599
Server custody and bandwidth fee commitments	67,216	28,000	—	—	—	—	95,216
Advertising commitments	212,495	—	—	—	—	—	212,495
Bank loans and accrued interest payable	1,890,538	81,318	77,588	—	—	—	2,049,444
Total	2,345,801	254,760	160,248	43,982	34,021	2,942	2,841,754

Other than those shown above, the Group did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2016.

(b) 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. When an unfavorable outcome 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, and potentially in future periods.

58.com Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share, per share and per ADS data, unless otherwise noted)

26. Subsequent events

In February 2017, the Group granted 1,280,720 RSUs to its employees under the 2013 Share Incentive Plan.

On April 17, 2017, the Group entered into a definitive agreement with Tencent to invest in the Group's used good platform business named Zhuan Zhuan. The Group will establish a separate group of companies (the "Zhuan Zhuan Entities") and inject the Zhuan Zhuan App and certain used goods related listing channels from the 58 and Ganji platforms into Zhuan Zhuan, and Tencent will invest RMB1,375,700 (US\$200,000) in cash and additional business resources into the Zhuan Zhuan Entities for a minority equity ownership. The Group will continue its direct traffic and other business support to the Zhuan Zhuan Entities. The transaction contemplated under this definitive agreement closed on April 28, 2017.

The Company obtained a two-year secured interest-bearing loan in U.S. dollar amounted to RMB739,847 (US\$107,500) from CMB Bank on April 21, 2017. This bank loan was secured by two-year term deposits in Renminbi amounted to RMB792,000. The Company used the proceeds from this loan to repay the short-term loan in U.S. dollar amounted RMB739,847 (US\$107,500) due to CMB Bank as stated in Note 16.

27. Restricted net assets

PRC laws and regulations permit payments of dividends by the Company's subsidiaries, the VIEs and VIEs' subsidiaries incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries, the VIEs and VIEs' subsidiaries incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Company's subsidiaries, the VIEs and VIEs' subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to RMB1,423,545 and RMB1,614,714 as of December 31, 2015 and 2016, respectively. 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, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. Except for the above, there is no other restriction on the use of proceeds generated by the Company's subsidiaries, the VIEs and VIEs' subsidiaries to satisfy any obligations of the Company.

The Group performed a test on the restricted net assets of its consolidated subsidiaries, the VIEs and VIEs' subsidiaries (the "restricted net assets") in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the restricted net assets did not exceed 25% of the consolidated net assets of the Group as of December 31, 2016.

Amended and Restated Equity Interest Pledge Agreement

This Amended and Restated Equity Interest Pledge Agreement (this "Agreement") has been executed by and among the following parties on July 4, 2016 in Beijing, the People's Republic of China ("China" or the "PRC"):

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**, (hereinafter "Pledgee") a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;

Party B: **58 Co., Ltd.**, (hereinafter "Pledgor") a limited liability company organized and existing under the laws of the PRC, with its address at Room 210-03, Office Building, Nangang Industry Zone, Economic and Technological Development District, Tianjin; and

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Square block -901-918 , #5 Meiyuan Road , Binhaigaoxin District, Tianjin.

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a "Party" respectively, and they shall be collectively referred to as the "Parties".

Whereas:

1. Pledgor is a corporate jurisdical person of China who as of the date hereof holds 94.1% of equity interests of Party C, representing RMB94,100,000 in the registered capital of Party C. Party C is a limited liability company registered in Tianjin, China, engaging in Internet information services and advertising services. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C partially owned by Pledgor have executed an Exclusive Business Cooperation Agreement (as defined below) in Beijing; Party C, Pledgee and Pledgor have executed an Exclusive Option Agreement (as defined below); Pledgee and Pledgor have executed a Loan Agreement (as defined below); and Pledgor has executed a Power of Attorney to Pledgee.
3. To ensure that Party C and Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney, Pledgor hereby pledges to the Pledgee all of the equity interest he holds in Party C as security for Party C's and Pledgor's obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney.

To perform the provisions of the Transaction Documents, the Parties have mutually agreed to execute this Agreement upon the following terms.

1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Article 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.
- 1.2 Equity Interest: shall refer to all of the equity interest now held and hereafter acquired by Pledgor in Party C.
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3.2 of this Agreement.
- 1.4 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee on August 5, 2015 (the "Exclusive Business Cooperation Agreement"), the Amended and Restated Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on July 4, 2016 (the "Exclusive Option Agreement"), the Amended and Restated Loan Agreement executed by and between Pledgee and Pledgor on July 4, 2016 (the "Loan Agreement"), the Amended and Restated Power of Attorney executed on July 4, 2016 by Pledgor (the "Power of Attorney") and any modification, amendment and restatement to the aforementioned documents.
- 1.5 Contract Obligation: shall refer to all the obligations of Pledgor under the Exclusive Option Agreement, the Power of Attorney, the Loan Agreement and this Agreement; all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.
- 1.6 Secured Indebtedness: shall refer to all the direct, indirect or derivative losses of Pledgee, including loss of expected profits, incurred as a result of any Event of Default (as defined below). The amount of such loss shall be based on, including but not limited to the reasonable business plan and profit forecast of Pledgee, the consulting and service fees payable to Pledgee under the Exclusive Business Cooperation Agreement and all expenses occurred in connection with enforcement by Pledgee of Pledgor's and/or Party C's Contract Obligation. The anticipated aggregate losses to be incurred hereunder are RMB1,000 million. Notwithstanding the forgoing, if the actual losses incurred exceed such anticipated amount, the Secured Indebtedness hereunder shall be the actual amount of such losses incurred.
- 1.7 Event of Default: shall refer to any of the circumstances set forth in Article 7 of this Agreement.

1.8 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

2. The Pledge

- 2.1 Pledgor agrees to pledge all the Equity Interest as security for performance of the Contract Obligation and payment of the Secured Indebtedness under this Agreement. Party C hereby assents that Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgor may receive dividends distributed on the Equity Interest only with prior written consent from Pledgee. Dividends received by Pledgor on Equity Interest shall be, subject to requirement of Pledgee, (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally give to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.
- 2.3 Pledgor may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by the Pledgor in future capital increase shall be deemed as Equity Interest as well.
- 2.4 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgor upon Party C's dissolution or liquidation shall be (1) deposited into an account designate and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally give to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

3. Term of Pledge

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall be continuously valid until all Contract Obligations and Secured Indebtedness have been fully performed and paid. Pledgor and Party C shall (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein within 30 business days following the execution of this Agreement. The parties covenant that for the purpose of registration of the Pledge, the parties hereto and all other shareholders of Party C shall submit to the AIC this Agreement or an equity interest pledge contract in the form required by the AIC at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "AIC Pledge Contract"). For matters not specified in the AIC Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after filing.

3.2 During the Term of Pledge, in the event Pledgor and/or Party C fails to perform the Contract Obligation or pay Secured Indebtedness, Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

4. Custody of Records for Equity Interest subject to Pledge

4.1 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

5. Representations and Warranties of Pledgor and Party C

As of the execution date of this Agreement, Pledgor and Party C hereby jointly and severally represent and warrant to Pledgee that:

5.1 Pledgor is the sole legal and beneficial owner of the Equity Interest.

5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.

5.3 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.

5.4 Pledgor and Party C have obtained any and all approvals and consents from applicable government authorities and third parties (if required) for execution, delivery and performance of this Agreement.

5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under any contract or instrument to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted to any Party to be suspended, cancelled or attached with additional conditions.

6. Covenants of Pledgor and Party C

6.1 Pledgor and Party C hereby jointly and severally covenant to the Pledgee:

- 6.1.1 Pledgor shall not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest or any portion thereof, without the prior written consent of Pledgee, except for the performance of the Transaction Documents;
- 6.1.2 Pledgor and Party C shall comply with the provisions of all laws and regulations applicable to the pledge of rights, and within 5 days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
- 6.1.3 Pledgor and Party C shall promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on Pledgee's rights to the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement.
- 6.1.4 Party C shall complete the registration procedures for extension of the term of operation within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.

- 6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for the Contract Obligation and Secured Indebtedness, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.
- 6.4 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgor shall indemnify Pledgee for all losses resulting therefrom.

7. Event of Breach

- 7.1 The following circumstances shall be deemed Event of Default:
 - 7.1.1 Pledgor's any breach to any obligations under the Transaction Documents and/or this Agreement.
 - 7.1.2 Party C's any breach to any obligations under the Transaction Documents and/or this Agreement.
- 7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor and Party C shall immediately notify Pledgee in writing accordingly.
- 7.3 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee and /or Party C delivers a notice to the Pledgor requesting ratification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding the Pledgor to immediately exercise the Pledge in accordance with the provisions of Article 8 of this Agreement.

8. Exercise of Pledge

- 8.1 Pledgee may issue a Notice of Default to Pledgor when exercising the Pledge.
- 8.2 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 8.1. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.3 After Pledgee issues a Notice of Default Pledgee in accordance with Section 8.1, Pledgee may exercise any remedy measure under applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to be compensated in priority by the conversion of the Equity Pledge or from the proceeds from auction or sale of the Equity Interest. The Pledgee shall have no liability for any loss incurred by its duly exercise of such rights and powers.
- 8.4 The proceeds from exercise of the Pledge by Pledgee shall be used to pay for tax and expenses incurred by disposing the Equity Interest and perform Contract Obligations and pay the Secured Indebtedness prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to Pledgor or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where Pledgor resides, with all expense incurred being borne by Pledgor. To the extent permitted under applicable PRC laws, Pledgor shall unconditionally give the aforementioned proceeds to Pledgee or any other person designated by Pledgee.

- 8.5 Pledgee has the right to exercise any remedy measure available simultaneously or in any order. Pledgee may exercise the right to be compensated from in priority by the conversion of the Equity Pledge or from the proceeds from auction or sale of the Equity Interest under this Agreement, without exercising any other remedy measure first.
- 8.6 Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf and Pledgor and Party C shall not raise any objection to such exercise.
- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

9. Breach of Agreement

- 9.1 If Pledgor or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and require Pledgor or Party C to compensate all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;
- 9.2 If Pledgee conducts any breach of any term of this Agreement, Pledgor or Party C shall not terminate this Agreement in any event unless otherwise required by applicable laws.

10. Assignment

- 10.1 Without Pledgee's prior written consent, Pledgor shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 10.2 This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.
- 10.3 At any time, Pledgee may assign any and all of its rights and obligations under the Transaction Documents to its designee(s), in which case the assigns shall have the rights and obligations of Pledgee under this Agreement, as if it were the original party to this Agreement. When the Pledgee assigns the rights and obligations under the Business Cooperation Agreement, upon Pledgee's request, Pledgor and/or Party C shall execute relevant agreements or other documents relating to such assignment.
- 10.4 In the event of a change in Pledgee due to an assignment, Pledgor and/or Party C shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AIC.

10.5 Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

11. Termination

11.1 Upon the fulfillment of all Contract Obligation and the full payment of all Secured Indebtedness by Pledgor and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgor's request as soon as reasonably practicable and shall assist Pledgor to de-register the Pledge from the shareholders' register of Party C and with relevant PRC local administration for industry and commerce.

11.2 The provisions under Sections 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

12. Handling Fees and Other Expenses

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

13. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

14. Governing Law and Resolution of Disputes

- 14.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.
- 14.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 14.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

15. Notices

- 15.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 15.2 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 15.3 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 15.4 For the purpose of notices, the addresses of the Parties are as follows:

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**
Address: Building 105, No.10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 9565858

Party B: **58 Co., Ltd.**
Address: Building 105, No. 10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 59565858

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**
Address: Building 105, No. 10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 59565858

15.5 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

16. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

17. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

18. Effectiveness

18.1 This Agreement shall become effective upon execution by the Parties.

18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

19. Language and Counterparts

This Agreement is written in Chinese and English in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

The Remainder of this page is intentionally left blank

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party B: **58 Co. Ltd.**

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Attachments:

1. Shareholders' Register of Party C;
2. The Capital Contribution Certificate for Party C;
3. Exclusive Business Cooperation Agreement;
4. Amended and Restated Loan Agreement;
5. Amended and Restated Exclusive Option Agreement;
6. Amended and Restated Power of Attorney.

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Agreement") has been executed by and among the following parties on August 5, 2015 in Beijing, the People's Republic of China ("China" or the "PRC"):

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.** (hereinafter "Pledgee"), a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;

Party B: **Jinbo Yao** (hereinafter "Pledgor"), a Chinese citizen with Chinese Identification No.: ; and

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Square block -901-918 , #5 Meiyuan Road , Binhaigaoxin District, Tianjin.

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a "Party" respectively, and they shall be collectively referred to as the "Parties".

Whereas:

1. Pledgor is a citizen of China who as of the date hereof holds 1.4% of equity interests of Party C, representing RMB1,400,000 in the registered capital of Party C. Party C is a limited liability company registered in Beijing, China, engaging in residential service. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C partially owned by Pledgor have executed an Exclusive Business Cooperation Agreement (as defined below) in Beijing; Party C, Pledgee and Pledgor have executed an Exclusive Option Agreement (as defined below); Pledgee and Pledgor have executed a Loan Agreement (as defined below); and Pledgor has executed a Power of Attorney to Pledgee.
3. To ensure that Party C and Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney, Pledgor hereby pledges to the Pledgee all of the equity interest he holds in Party C as security for Party C's and Pledgor's obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney.

To perform the provisions of the Transaction Documents, the Parties have mutually agreed to execute this Agreement upon the following terms.

1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Article 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.
- 1.2 Equity Interest: shall refer to all of the equity interest now held and hereafter acquired by Pledgor in Party C.
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3.2 of this Agreement.
- 1.4 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee on August 5, 2015 (the “Exclusive Business Cooperation Agreement”), the Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on August 5, 2015 (the “Exclusive Option Agreement”), the Loan Agreement executed by and between Pledgee and Pledgor on August 5, 2015 (the “Loan Agreement”), Power of Attorney executed on August 5, 2015 by Pledgor (the “Power of Attorney”) and any modification, amendment and restatement to the aforementioned documents.
- 1.5 Contract Obligation: shall refer to all the obligations of Pledgor under the Exclusive Option Agreement, the Power of Attorney, the Loan Agreement and this Agreement; all the obligations of Party C under the Exclusive Cooperation Agreement, the Exclusive Option Agreement and this Agreement.
- 1.6 Secured Indebtedness: shall refer to all the direct, indirect or derivative losses of Pledgee, including loss of expected profits, incurred as a result of any Event of Default (as defined below). The amount of such loss shall be based on, including but not limited to the reasonable business plan and profit forecast of Pledgee, the consulting and service fees payable to Pledgee under the Exclusive Business Cooperation Agreement and all expenses occurred in connection with enforcement by Pledgee of Pledgor’s and/or Party C’s Contract Obligation. The anticipated aggregate losses to be incurred hereunder are RMB1,000 million. Notwithstanding the forgoing, if the actual losses incurred exceed such anticipated amount, the Secured Indebtedness hereunder shall be the actual amount of such losses incurred.
- 1.7 Event of Default: shall refer to any of the circumstances set forth in Article 7 of this Agreement.
- 1.8 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

2. The Pledge

- 2.1 Pledgor agrees to pledge all the Equity Interest as security for performance of the Contract Obligation and payment of the Secured Indebtedness under this Agreement. Party C hereby assents that Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgor may receive dividends distributed on the Equity Interest only with prior written consent from Pledgee. Dividends received by Pledgor on Equity Interest shall be, subject to requirement of Pledgee, (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally give to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.
- 2.3 Pledgor may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by the Pledgor in future capital increase shall be deemed as Equity Interest as well.
- 2.4 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgor upon Party C's dissolution or liquidation shall be (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally give to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

3. Term of Pledge

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall be continuously valid until all Contract Obligations and Secured Indebtedness have been fully performed and paid. Pledgor and Party C shall (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein within 30 business days following the execution of this Agreement. The parties covenant that for the purpose of registration of the Pledge, the parties hereto and all other shareholders of Party C shall submit to the AIC this Agreement or an equity interest pledge contract in the form required by the AIC at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "AIC Pledge Contract"). For matters not specified in the AIC Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after filing.

3.2 During the Term of Pledge, in the event Pledgor and/or Party C fails to perform the Contract Obligation or pay Secured Indebtedness, Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

4. Custody of Records for Equity Interest subject to Pledge

4.1 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

5. Representations and Warranties of Pledgor and Party C

As of the execution date of this Agreement, Pledgor and Party C hereby jointly and severally represent and warrant to Pledgee that:

5.1 Pledgor is the sole legal and beneficial owner of the Equity Interest.

5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.

5.3 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.

5.4 Pledgor and Party C have obtained any and all approvals and consents from applicable government authorities and third parties (if required) for execution, delivery and performance of this Agreement.

5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under any contract or instrument to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted to any Party to be suspended, cancelled or attached with additional conditions.

6. Covenants of Pledgor and Party C

6.1 Pledgor and Party C hereby jointly and severally covenant to the Pledgee:

6.1.1 Pledgor shall not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest or any portion thereof, without the prior written consent of Pledgee, except for the performance of the Transaction Documents;

6.1.2 Pledgor and Party C shall comply with the provisions of all laws and regulations applicable to the pledge of rights, and within 5 days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;

6.1.3 Pledgor and Party C shall promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on Pledgee's rights to the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement.

6.1.4 Party C shall complete the registration procedures for extension of the term of operation within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.

6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.

6.3 To protect or perfect the security interest granted by this Agreement for the Contract Obligation and Secured Indebtedness, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.

6.4 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgor shall indemnify Pledgee for all losses resulting therefrom.

7. Event of Breach

7.4 The following circumstances shall be deemed Event of Default:

7.1.1 Pledgor's any breach to any obligations under the Transaction Documents and/or this Agreement.

7.1.2 Party C's any breach to any obligations under the Transaction Documents and/or this Agreement.

7.5 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor and Party C shall immediately notify Pledgee in writing accordingly.

7.6 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee and /or Party C delivers a notice to the Pledgor requesting ratification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding the Pledgor to immediately exercise the Pledge in accordance with the provisions of Article 8 of this Agreement.

8. Exercise of Pledge

8.1 Pledgee may issue a Notice of Default to Pledgor when exercising the Pledge.

8.2 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 8.1. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.

8.3 After Pledgee issues a Notice of Default Pledgee in accordance with Section 8.1, Pledgee may exercise any remedy measure under applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to be compensated in priority by the conversion of the Equity Pledge or from the proceeds from auction or sale of the Equity Interest. The Pledgee shall have no liability for any loss incurred by its duly exercise of such rights and powers.

8.4 The proceeds from exercise of the Pledge by Pledgee shall be used to pay for tax and expenses incurred by disposing the Equity Interest and perform Contract Obligations and pay the Secured Indebtedness prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to Pledgor or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where Pledgor resides, with all expense incurred being borne by Pledgor. To the extent permitted under applicable PRC laws, Pledgor shall unconditionally give the aforementioned proceeds to Pledgee or any other person designated by Pledgee.

- 8.5 Pledgee has the right to exercise any remedy measure available simultaneously or in any order. Pledgee may exercise the right to be compensated from in priority by the conversion of the Equity Pledge or from the proceeds from auction or sale of the Equity Interest under this Agreement, without exercising any other remedy measure first.
- 8.6 Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf and Pledgor and Party C shall not raise any objection to such exercise.
- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

9. Breach of Agreement

- 9.1 If Pledgor or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and require Pledgor or Party C to compensate all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;
- 9.2 If Pledgee conducts any breach of any term of this Agreement, Pledgor or Party C shall not terminate this Agreement in any event unless otherwise required by applicable laws.

10. Assignment

- 10.1 Without Pledgee's prior written consent, Pledgor shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 10.2 This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.
- 10.3 At any time, Pledgee may assign any and all of its rights and obligations under the Transaction Documents to its designee(s), in which case the assigns shall have the rights and obligations of Pledgee under this Agreement, as if it were the original party to this Agreement. When the Pledgee assigns the rights and obligations under the Business Cooperation Agreement, upon Pledgee's request, Pledgor and/or Party C shall execute relevant agreements or other documents relating to such assignment.
- 10.4 In the event of a change in Pledgee due to an assignment, Pledgor and/or Party C shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AIC.

10.5 Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

11. Termination

11.1 Upon the fulfillment of all Contract Obligation and the full payment of all Secured Indebtedness by Pledgor and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgor's request as soon as reasonably practicable and shall assist Pledgor to de-register the Pledge from the shareholders' register of Party C and with relevant PRC local administration for industry and commerce.

11.2 The provisions under Sections 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

12. Handling Fees and Other Expenses

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

13. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

14. Governing Law and Resolution of Disputes

14.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

14.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

14.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

15. Notices

15.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

15.2 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.

15.3 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

15.4 For the purpose of notices, the addresses of the Parties are as follows:

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Party B: **Jinbo Yao**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

15.5 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

16. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

17. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

18. Effectiveness

18.1 This Agreement shall become effective upon execution by the Parties.

18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

19. Language and Counterparts

This Agreement is written in Chinese and English in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

The Remainder of this page is intentionally left blank

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party B: **Jinbo Yao**

By: /s/ Jinbo Yao

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Attachments:

1. Shareholders' Register of Party C;
2. The Capital Contribution Certificate for Party C;
3. Exclusive Business Cooperation Agreement;
4. Loan Agreement;
5. Exclusive Option Agreement;
6. Power of Attorney.

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Agreement") has been executed by and among the following parties on August 5, 2015 in Beijing, the People's Republic of China ("China" or the "PRC"):

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.** (hereinafter "Pledgee"), a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;

Party B: **Xiaohua Chen** (hereinafter "Pledgor"), a citizen of China with Chinese Identification No.: ; and

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Square block -901-918 , #5 Meiyuan Road , Binhaigaoxin District, Tianjin.

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a "Party" respectively, and they shall be collectively referred to as the "Parties".

Whereas:

1. Pledgor is a citizen of China who as of the date hereof holds 4.5% of equity interests of Party C, representing RMB4,500,000 in the registered capital of Party C. Party C is a limited liability company registered in Beijing, China, engaging in Internet information services and advertising services. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C partially owned by Pledgor have executed an Exclusive Business Cooperation Agreement (as defined below) in Beijing; Party C, Pledgee and Pledgor have executed an Exclusive Option Agreement (as defined below); Pledgee and Pledgor have executed a Loan Agreement (as defined below); and Pledgor has executed a Power of Attorney to Pledgee.
3. To ensure that Party C and Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney, Pledgor hereby pledges to the Pledgee all of the equity interest he holds in Party C as security for Party C's and Pledgor's obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney.

To perform the provisions of the Transaction Documents, the Parties have mutually agreed to execute this Agreement upon the following terms.

1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Article 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.
- 1.2 Equity Interest: shall refer to all of the equity interest now held and hereafter acquired by Pledgor in Party C.
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3.2 of this Agreement.
- 1.4 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee on August 5, 2015 (the “Exclusive Business Cooperation Agreement”), the Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on August 5, 2015 (the “Exclusive Option Agreement”), the Loan Agreement executed by and between Pledgee and Pledgor on August 5, 2015 (the “Loan Agreement”), Power of Attorney executed on August 5, 2015 by Pledgor (the “Power of Attorney”) and any modification, amendment and restatement to the aforementioned documents.
- 1.5 Contract Obligation: shall refer to all the obligations of Pledgor under the Exclusive Option Agreement, the Power of Attorney, the Loan Agreement and this Agreement; all the obligations of Party C under the Exclusive Cooperation Agreement, the Exclusive Option Agreement and this Agreement.
- 1.6 Secured Indebtedness: shall refer to all the direct, indirect or derivative losses of Pledgee, including loss of expected profits, incurred as a result of any Event of Default (as defined below). The amount of such loss shall be based on, including but not limited to the reasonable business plan and profit forecast of Pledgee, the consulting and service fees payable to Pledgee under the Exclusive Business Cooperation Agreement and all expenses occurred in connection with enforcement by Pledgee of Pledgor’s and/or Party C’s Contract Obligation. The anticipated aggregate losses to be incurred hereunder are RMB1,000 million. Notwithstanding the forgoing, if the actual losses incurred exceed such anticipated amount, the Secured Indebtedness hereunder shall be the actual amount of such losses incurred.
- 1.7 Event of Default: shall refer to any of the circumstances set forth in Article 7 of this Agreement.
- 1.8 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

2. The Pledge

- 2.1 Pledgor agrees to pledge all the Equity Interest as security for performance of the Contract Obligation and payment of the Secured Indebtedness under this Agreement. Party C hereby assents that Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgor may receive dividends distributed on the Equity Interest only with prior written consent from Pledgee. Dividends received by Pledgor on Equity Interest shall be, subject to requirement of Pledgee, (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally give to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.
- 2.3 Pledgor may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by the Pledgor in future capital increase shall be deemed as Equity Interest as well.
- 2.4 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgor upon Party C's dissolution or liquidation shall be (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally give to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

3. Term of Pledge

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall be continuously valid until all Contract Obligations and Secured Indebtedness have been fully performed and paid. Pledgor and Party C shall (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein within 30 business days following the execution of this Agreement. The parties covenant that for the purpose of registration of the Pledge, the parties hereto and all other shareholders of Party C shall submit to the AIC this Agreement or an equity interest pledge contract in the form required by the AIC at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "AIC Pledge Contract"). For matters not specified in the AIC Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after filing.

3.2 During the Term of Pledge, in the event Pledgor and/or Party C fails to perform the Contract Obligation or pay Secured Indebtedness, Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

4. Custody of Records for Equity Interest subject to Pledge

4.1 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

5. Representations and Warranties of Pledgor and Party C

As of the execution date of this Agreement, Pledgor and Party C hereby jointly and severally represent and warrant to Pledgee that:

5.1 Pledgor is the sole legal and beneficial owner of the Equity Interest.

5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.

5.3 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.

5.4 Pledgor and Party C have obtained any and all approvals and consents from applicable government authorities and third parties (if required) for execution, delivery and performance of this Agreement.

5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under any contract or instrument to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted to any Party to be suspended, cancelled or attached with additional conditions.

6. Covenants of Pledgor and Party C

6.1 Pledgor and Party C hereby jointly and severally covenant to the Pledgee:

- 6.1.1 Pledgor shall not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest or any portion thereof, without the prior written consent of Pledgee, except for the performance of the Transaction Documents;
- 6.1.2 Pledgor and Party C shall comply with the provisions of all laws and regulations applicable to the pledge of rights, and within 5 days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
- 6.1.3 Pledgor and Party C shall promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on Pledgee's rights to the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement.
- 6.1.4 Party C shall complete the registration procedures for extension of the term of operation within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.

- 6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for the Contract Obligation and Secured Indebtedness, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.
- 6.4 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgor shall indemnify Pledgee for all losses resulting therefrom.

7. Event of Breach

- 7.1 The following circumstances shall be deemed Event of Default:
 - 7.1.1 Pledgor's any breach to any obligations under the Transaction Documents and/or this Agreement.
 - 7.1.2 Party C's any breach to any obligations under the Transaction Documents and/or this Agreement.
- 7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor and Party C shall immediately notify Pledgee in writing accordingly.
- 7.3 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee and /or Party C delivers a notice to the Pledgor requesting ratification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding the Pledgor to immediately exercise the Pledge in accordance with the provisions of Article 8 of this Agreement.

8. Exercise of Pledge

- 8.1 Pledgee may issue a Notice of Default to Pledgor when exercising the Pledge.
- 8.2 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 8.1. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.3 After Pledgee issues a Notice of Default Pledgee in accordance with Section 8.1, Pledgee may exercise any remedy measure under applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to be compensated in priority by the conversion of the Equity Pledge or from the proceeds from auction or sale of the Equity Interest. The Pledgee shall have no liability for any loss incurred by its duly exercise of such rights and powers.
- 8.4 The proceeds from exercise of the Pledge by Pledgee shall be used to pay for tax and expenses incurred by disposing the Equity Interest and perform Contract Obligations and pay the Secured Indebtedness prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to Pledgor or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where Pledgor resides, with all expense incurred being borne by Pledgor. To the extent permitted under applicable PRC laws, Pledgor shall unconditionally give the aforementioned proceeds to Pledgee or any other person designated by Pledgee.

- 8.5 Pledgee has the right to exercise any remedy measure available simultaneously or in any order. Pledgee may exercise the right to be compensated from in priority by the conversion of the Equity Pledge or from the proceeds from auction or sale of the Equity Interest under this Agreement, without exercising any other remedy measure first.
- 8.6 Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf and Pledgor and Party C shall not raise any objection to such exercise.
- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

9. Breach of Agreement

- 9.1 If Pledgor or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and require Pledgor or Party C to compensate all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;
- 9.2 If Pledgee conducts any breach of any term of this Agreement, Pledgor or Party C shall not terminate this Agreement in any event unless otherwise required by applicable laws.

10. Assignment

- 10.1 Without Pledgee's prior written consent, Pledgor shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 10.2 This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.
- 10.3 At any time, Pledgee may assign any and all of its rights and obligations under the Transaction Documents to its designee(s), in which case the assigns shall have the rights and obligations of Pledgee under this Agreement, as if it were the original party to this Agreement. When the Pledgee assigns the rights and obligations under the Business Cooperation Agreement, upon Pledgee's request, Pledgor and/or Party C shall execute relevant agreements or other documents relating to such assignment.
- 10.4 In the event of a change in Pledgee due to an assignment, Pledgor and/or Party C shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AIC.

10.5 Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

11. Termination

11.1 Upon the fulfillment of all Contract Obligation and the full payment of all Secured Indebtedness by Pledgor and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgor's request as soon as reasonably practicable and shall assist Pledgor to de-register the Pledge from the shareholders' register of Party C and with relevant PRC local administration for industry and commerce.

11.2 The provisions under Sections 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

12. Handling Fees and Other Expenses

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

13. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

14. Governing Law and Resolution of Disputes

- 14.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.
- 14.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 14.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

15. Notices

- 15.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 15.2 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 15.3 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 15.4 For the purpose of notices, the addresses of the Parties are as follows:

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Party B: **Xiaohua Chen**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

15.5 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

16. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

17. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

18. Effectiveness

18.1 This Agreement shall become effective upon execution by the Parties.

18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

19. Language and Counterparts

This Agreement is written in Chinese and English in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

The Remainder of this page is intentionally left blank

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party B: **Xiaohua Chen**

By: /s/ Xiaohua Chen

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Attachments:

1. Shareholders' Register of Party C;
2. The Capital Contribution Certificate for Party C;
3. Exclusive Business Cooperation Agreement;
4. Loan Agreement;
5. Exclusive Option Agreement;
6. Power of Attorney.

Amended and Restated Exclusive Option Agreement

This Amended and Restated Exclusive Option Agreement (this "Agreement") is executed by and among the following Parties as of the 4th day of July, 2016 in Beijing, the People's Republic of China ("China" or the "PRC"):

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**, a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;

Party B: **58 Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Room 210-03, Office Building, Nangang Industry Zone, Economic and Technological Development District, Tianjin; and

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address Square block -901-918 , #5 Meiyuan Road , Binhaigaoxin District, Tianjin.

In this Agreement, each of Party A, Party B and Party C shall be referred to as a "Party" respectively, and they shall be collectively referred to as the "Parties".

Whereas:

1. Party B is a shareholder of Party C and as of the date hereof holds 94.1% of equity interests of Party C, representing RMB94,100,000 in the registered capital of Party C.
2. Party A and Party B executed an Amended and Restated Loan Agreement ("Loan Agreement") on July 4, 2016, according to which Party A confirmed that it provided to Party B a loan in amount of RMB94,100,000, to be used for the purpose of subscribing for the equity interest in Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

1. SALE AND PURCHASE OF EQUITY INTEREST

1.1 Option Granted

In consideration of the payment of RMB10 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a "Designee") to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A's sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the "Equity Interest Purchase Option"). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term "person" as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's or the Designee's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from Party B (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests and/or the date for transfer of the Optioned Interests.

1.3 Equity Interest Purchase Price

The purchase price of all equity interests held by Party B in Party C purchased by Party A by exercising the Equity Interest Purchase Option shall be RMB94,100,000; if Party A exercises the Equity Interest Purchase Option to purchase part of the equity interests held by Party B in Party C, the purchase price shall be calculated pro rata. If PRC law requires a minimum price higher than aforementioned price when Party A exercises Equity Interest Purchase Option, the minimum price regulated by PRC law shall be the purchase price (collectively, the "Equity Interest Purchase Price").

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving Party B's transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Party B shall obtain written statements from the other shareholders of Party B giving consent to the transfer of the equity interest to Party A and/or the Designee(s) and waiving any right of first refusal related thereto.
- 1.4.3 Party B shall execute an equity interest transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;

1.4.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, "security interests" shall include securities, mortgages, third party's rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney. "Party B's Equity Interest Pledge Agreement" as used in this Agreement shall refer to the Amended and Restated Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto. "Party B's Power of Attorney" as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with power of attorney and any modification, amendment and restatement thereto.

1.5 Payment

The Parties have agreed in the Loan Agreement that any proceeds obtained by Party B through the transfer of its equity interests in Party C shall be used for repayment of the loan provided by Party A in accordance with the Loan Agreement. Accordingly, upon exercise of the Equity Interest Purchase Option, Party A may elect to make payment of the Equity Interest Purchase Price through cancellation of the outstanding amount of the loan owed by Party B to Party A, in which case Party A shall not be required to pay any additional Equity Interest Purchase Price to Party B, unless the Total Equity Interest Purchase Price set forth herein is required to be adjusted in accordance with applicable laws and regulations.

2. COVENANTS

2.1 Covenants regarding Party C

Party B (as the shareholders of Party C) and Party C hereby covenant as follows:

2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;

2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards, obtain and maintain all necessary government licenses and permits and practice by prudently and effectively operating its business and handling its affairs;

- 2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;
- 2.1.5 They shall always operate all of Party C's businesses during the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;
- 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a price exceeding RMB500,000 shall be deemed a major contract);
- 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
- 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

- 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders; and
- 2.1.14 At the request of Party A, they shall appoint any persons designated by Party A as the director(s) of Party C.
- 2.1.15 Without Party A's prior written consent, they shall not engage in any business in competition with Party A or its affiliates.
- 2.1.16 Unless otherwise required by PRC law, Party C shall not be dissolved or liquidated without prior written consent by Party A.

2.2 Covenants of Party B

Party B hereby covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.2 Party B shall cause the shareholders' meeting and/or the director(s) of Party C not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, without the prior written consent of Party A, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.3 Party B shall cause the shareholders' meeting or the director(s) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person, without the prior written consent of Party A;
- 2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.2.5 Party B shall cause the shareholders' meeting or the director(s) of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;

- 2.2.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 2.2.7 Party B shall appoint any designee of Party A as the director(s) of Party C, at the request of Party A;
- 2.2.8 Party B hereby waives its right of first of refusal to transfer of equity interest by the other existing shareholders of Party C to Party A (if any); and
- 2.2.9 Party B shall promptly donate any profit, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A to the extent permitted under applicable PRC laws.
- 2.2.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Equity Interest Pledge Agreement among the same parties hereto or under the Power of Attorney granted in favor of Party A, Party B shall not exercise such rights except in accordance with the written instructions of Party A.

3. REPRESENTATIONS AND WARRANTIES

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a "Transfer Contracts"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;

- 3.2 Party B and Party C have obtained any and all approvals and consents from government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
- 3.3 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
- 3.4 Party B has a good and merchantable title to the equity interests in Party C he holds. Except for Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney, Party B has not placed any security interest on such equity interests;
- 3.5 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.6 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
- 3.7 Party C has complied with all laws and regulations of China applicable to asset acquisitions; and
- 3.8 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

4. EFFECTIVE DATE

This Agreement shall become effective upon execution by the Parties, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.

5. GOVERNING LAW AND RESOLUTION OF DISPUTES

5.1 Governing law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

5.2 Methods of Resolution of Disputes

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

6. TAXES AND FEES

Each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

7. NOTICES

7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Beijing 58 Daojia Information Technology Co., Ltd.

Address: Building 105, No.10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing

Attn: Jinbo Yao

Phone: +8610 59565858

Party B: 58 Co., Ltd.
Address: Building 105, No.10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing
Phone: +8610 59565858

Party C: Tianjin 58 Daojia Home Services Co., Ltd.
Address: Building 105, No.10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 59565858

7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

8. CONFIDENTIALITY

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

9. FURTHER WARRANTIES

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

10. BREACH OF AGREEMENT

10.1 If Party B or Party C conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and require the Party B or Party C to compensate all damages; this Section 10 shall not prejudice any other rights of Party A herein;

10.2 If Party A conducts any breach of any term of this Agreement, Party B or Party C shall not terminate this Agreement in any event unless otherwise required by applicable laws.

11. MISCELLANEOUS

11.1 Amendment, change and supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

11.2 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

11.5 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

11.7 Survival

11.7.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

11.7.2 The provisions of Sections 5, 8, 10 and this Section 11.7 shall survive the termination of this Agreement.

11.8 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A: Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party B: 58 Co. Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party C: Tianjin 58 Daojia Home Services Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Exclusive Option Agreement

This (this "Agreement") is executed by and among the following Parties as of the 5th day of August, 2015 in Beijing, the People's Republic of China ("China" or the "PRC"):

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**, a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;

Party B: **Jinbo Yao**, a Chinese citizen with Chinese Identification No.: ; and

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Square block -901-918 , #5 Meiyuan Road , Binhaigaoxin District, Tianjin.

In this Agreement, each of Party A, Party B and Party C shall be referred to as a "Party" respectively, and they shall be collectively referred to as the "Parties".

Whereas:

1. Party B is a shareholder of Party C and as of the date hereof holds 1.4% of equity interests of Party C, representing RMB1,400,000 in the registered capital of Party C.
2. Party A and Party B executed a Loan Agreement ("Loan Agreement") on August 5, 2015, according to which Party A confirmed that it provided to Party B a loan in amount of RMB1,400,000, to be used for the purpose of subscribing the equity interest in Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

1. SALE AND PURCHASE OF EQUITY INTEREST

1.1 Option Granted

In consideration of the payment of RMB10 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a "Designee") to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A's sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the "Equity Interest Purchase Option"). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term "person" as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's or the Designee's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from Party B (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests and/or the date for transfer of the Optioned Interests.

1.3 Equity Interest Purchase Price

The purchase price of all equity interests held by Party B in Party C purchased by Party A by exercising the Equity Interest Purchase Option shall be RMB1,400,000; if Party A exercises the Equity Interest Purchase Option to purchase part of the equity interests held by Party B in Party C, the purchase price shall be calculated pro rata. If PRC law requires a minimum price higher than aforementioned price when Party A exercises Equity Interest Purchase Option, the minimum price regulated by PRC law shall be the purchase price (collectively, the "Equity Interest Purchase Price").

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving Party B's transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Party B shall obtain written statements from the other shareholders of Party B giving consent to the transfer of the equity interest to Party A and/or the Designee(s) and waiving any right of first refusal related thereto.
- 1.4.3 Party B shall execute an equity interest transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;

1.4.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, "security interests" shall include securities, mortgages, third party's rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney. "Party B's Equity Interest Pledge Agreement" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto. "Party B's Power of Attorney" as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with power of attorney and any modification, amendment and restatement thereto.

1.5 Payment

The Parties have agreed in the Loan Agreement that any proceeds obtained by Party B through the transfer of its equity interests in Party C shall be used for repayment of the loan provided by Party A in accordance with the Loan Agreement. Accordingly, upon exercise of the Equity Interest Purchase Option, Party A may elect to make payment of the Equity Interest Purchase Price through cancellation of the outstanding amount of the loan owed by Party B to Party A, in which case Party A shall not be required to pay any additional Equity Interest Purchase Price to Party B, unless the Total Equity Interest Purchase Price set forth herein is required to be adjusted in accordance with applicable laws and regulations.

2. COVENANTS

2.1 Covenants regarding Party C

Party B (as the shareholders of Party C) and Party C hereby covenant as follows:

2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;

2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards, obtain and maintain all necessary government licenses and permits and practice by prudently and effectively operating its business and handling its affairs;

- 2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;
- 2.1.5 They shall always operate all of Party C's businesses during the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;
- 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a price exceeding RMB500,000 shall be deemed a major contract);
- 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
- 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders; and

- 2.1.14 At the request of Party A, they shall appoint any persons designated by Party A as the director(s) of Party C.
- 2.1.15 Without Party A's prior written consent, they shall not engage in any business in competition with Party A or its affiliates.
- 2.1.16 Unless otherwise required by PRC law, Party C shall not be dissolved or liquidated without prior written consent by Party A.

2.3 Covenants of Party B

Party B hereby covenants as follows:

- 2.3.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.3.2 Party B shall cause the shareholders' meeting and/or the director(s) of Party C not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, without the prior written consent of Party A, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.3.3 Party B shall cause the shareholders' meeting or the director(s) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person, without the prior written consent of Party A;
- 2.3.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.3.5 Party B shall cause the shareholders' meeting or the director(s) of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
- 2.3.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

- 2.3.7 Party B shall appoint any designee of Party A as the director(s) of Party C, at the request of Party A;
- 2.3.8 Party B hereby waives its right of first of refusal to transfer of equity interest by the other existing shareholders of Party C to Party A (if any); and
- 2.3.9 Party B shall promptly donate any profit, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A to the extent permitted under applicable PRC laws.
- 2.3.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Equity Interest Pledge Agreement among the same parties hereto or under the Power of Attorney granted in favor of Party A, Party B shall not exercise such rights except in accordance with the written instructions of Party A.

3. REPRESENTATIONS AND WARRANTIES

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a "Transfer Contracts"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 Party B and Party C have obtained any and all approvals and consents from government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
- 3.3 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

- 3.4 Party B has a good and merchantable title to the equity interests in Party C he holds. Except for Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney, Party B has not placed any security interest on such equity interests;
- 3.5 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.6 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
- 3.7 Party C has complied with all laws and regulations of China applicable to asset acquisitions; and
- 3.8 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

4. EFFECTIVE DATE

This Agreement shall become effective upon execution by the Parties, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.

5. GOVERNING LAW AND RESOLUTION OF DISPUTES

5.1 Governing law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

5.2 Methods of Resolution of Disputes

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

6. TAXES AND FEES

Each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

7. NOTICES

7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Beijing 58 Daojia Information Technology Co., Ltd.

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing

Phone: +8610 64435588-8888

Faxsimile: +8610-64459926

Party B: Jinbo Yao

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing

Phone: +8610 64435588-8888

Faxsimile: +8610-64459926

Party C: Tianjin 58 Daojia Home Services Co., Ltd.

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing

Phone: +8610 64435588-8888

Faxsimile: +8610-64459926

7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

8. CONFIDENTIALITY

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

9. FURTHER WARRANTIES

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

10. BREACH OF AGREEMENT

- 10.1 If Party B or Party C conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and require the Party B or Party C to compensate all damages; this Section 10 shall not prejudice any other rights of Party A herein;
- 10.2 If Party A conducts any breach of any term of this Agreement, Party B or Party C shall not terminate this Agreement in any event unless otherwise required by applicable laws.

11. MISCELLANEOUS

11.1 Amendment, change and supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

11.2 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

11.5 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

11.7 Survival

11.7.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

11.7.2 The provisions of Sections 5, 8, 10 and this Section 11.7 shall survive the termination of this Agreement.

11.8 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A: Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party B: Jinbo Yao

By: /s/ Jinbo Yao

Party C: Tianjin 58 Daojia Home Services Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Exclusive Option Agreement

This (this "Agreement") is executed by and among the following Parties as of the 5th day of August, 2015 in Beijing, the People's Republic of China ("China" or the "PRC"):

Party A: **Beijing 58 Daojia Information Technology Co., Ltd.**, a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;

Party B: **Xiaohua Chen**, a citizen of China with Chinese Identification No.: ; and

Party C: **Tianjin 58 Daojia Home Services Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Square block -901-918 , #5 Meiyuan Road , Binhaigaoxin District, Tianjin.

In this Agreement, each of Party A, Party B and Party C shall be referred to as a "Party" respectively, and they shall be collectively referred to as the "Parties".

Whereas:

1. Party B is a shareholder of Party C and as of the date hereof holds 4.5% of equity interests of Party C, representing RMB4,500,000 in the registered capital of Party C.
2. Party A and Party B executed a Loan Agreement ("Loan Agreement") on August 5, 2015, according to which Party A confirmed that it provided to Party B a loan in amount of RMB 4,500,000, to be used for the purpose of subscribing for the registered capital of Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

1. SALE AND PURCHASE OF EQUITY INTEREST

1.1 Option Granted

In consideration of the payment of RMB10 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a "Designee") to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A's sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the "Equity Interest Purchase Option"). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term "person" as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's or the Designee's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from Party B (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests and/or the date for transfer of the Optioned Interests.

1.3 Equity Interest Purchase Price

The purchase price of all equity interests held by Party B in Party C purchased by Party A by exercising the Equity Interest Purchase Option shall be RMB4,500,000; if Party A exercises the Equity Interest Purchase Option to purchase part of the equity interests held by Party B in Party C, the purchase price shall be calculated pro rata. If PRC law requires a minimum price higher than aforementioned price when Party A exercises Equity Interest Purchase Option, the minimum price regulated by PRC law shall be the purchase price (collectively, the "Equity Interest Purchase Price").

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving Party B's transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Party B shall obtain written statements from the other shareholders of Party B giving consent to the transfer of the equity interest to Party A and/or the Designee(s) and waiving any right of first refusal related thereto.
- 1.4.3 Party B shall execute an equity interest transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;

1.4.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, "security interests" shall include securities, mortgages, third party's rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney. "Party B's Equity Interest Pledge Agreement" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto. "Party B's Power of Attorney" as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with power of attorney and any modification, amendment and restatement thereto.

1.5 Payment

The Parties have agreed in the Loan Agreement that any proceeds obtained by Party B through the transfer of its equity interests in Party C shall be used for repayment of the loan provided by Party A in accordance with the Loan Agreement. Accordingly, upon exercise of the Equity Interest Purchase Option, Party A may elect to make payment of the Equity Interest Purchase Price through cancellation of the outstanding amount of the loan owed by Party B to Party A, in which case Party A shall not be required to pay any additional Equity Interest Purchase Price to Party B, unless the Total Equity Interest Purchase Price set forth herein is required to be adjusted in accordance with applicable laws and regulations.

2. COVENANTS

2.1 Covenants regarding Party C

Party B (as the shareholders of Party C) and Party C hereby covenant as follows:

2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;

2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards, obtain and maintain all necessary government licenses and permits and practice by prudently and effectively operating its business and handling its affairs;

- 2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;
- 2.1.5 They shall always operate all of Party C's businesses during the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;
- 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a price exceeding RMB500,000 shall be deemed a major contract);
- 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
- 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

- 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders; and
- 2.1.14 At the request of Party A, they shall appoint any persons designated by Party A as the director(s) of Party C.
- 2.1.15 Without Party A's prior written consent, they shall not engage in any business in competition with Party A or its affiliates.
- 2.1.16 Unless otherwise required by PRC law, Party C shall not be dissolved or liquidated without prior written consent by Party A.

2.2 Covenants of Party B

Party B hereby covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.2 Party B shall cause the shareholders' meeting and/or the director(s) of Party C not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, without the prior written consent of Party A, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.3 Party B shall cause the shareholders' meeting or the director(s) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person, without the prior written consent of Party A;
- 2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.2.5 Party B shall cause the shareholders' meeting or the director(s) of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
- 2.2.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

- 2.2.7 Party B shall appoint any designee of Party A as the director(s) of Party C, at the request of Party A;
- 2.2.8 Party B hereby waives its right of first of refusal to transfer of equity interest by the other existing shareholders of Party C to Party A (if any); and
- 2.2.9 Party B shall promptly donate any profit, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A to the extent permitted under applicable PRC laws.
- 2.2.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Equity Interest Pledge Agreement among the same parties hereto or under the Power of Attorney granted in favor of Party A, Party B shall not exercise such rights except in accordance with the written instructions of Party A.

3. REPRESENTATIONS AND WARRANTIES

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a "Transfer Contracts"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 Party B and Party C have obtained any and all approvals and consents from government authorities and third parties (if required) for execution, delivery and performance of this Agreement.

- 3.3 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
- 3.4 Party B has a good and merchantable title to the equity interests in Party C he holds. Except for Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney, Party B has not placed any security interest on such equity interests;
- 3.5 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.6 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
- 3.7 Party C has complied with all laws and regulations of China applicable to asset acquisitions; and
- 3.8 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

4. EFFECTIVE DATE

This Agreement shall become effective upon execution by the Parties, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.

5. GOVERNING LAW AND RESOLUTION OF DISPUTES

5.1 Governing law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

5.2 Methods of Resolution of Disputes

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

6. TAXES AND FEES

Each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

7. NOTICES

7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Beijing 58 Daojia Information Technology Co., Ltd.

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Party B: Xiaohua Chen

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Party C: Tianjin 58 Daojia Home Services Co., Ltd.

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
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7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

8. CONFIDENTIALITY

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

9. FURTHER WARRANTIES

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

10. BREACH OF AGREEMENT

- 10.1 If Party B or Party C conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and require the Party B or Party C to compensate all damages; this Section 10 shall not prejudice any other rights of Party A herein;
- 10.2 If Party A conducts any breach of any term of this Agreement, Party B or Party C shall not terminate this Agreement in any event unless otherwise required by applicable laws.

11. MISCELLANEOUS

11.1 Amendment, change and supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

11.2 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

11.5 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

11.7 Survival

11.7.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

11.7.2 The provisions of Sections 5, 8, 10 and this Section 11.7 shall survive the termination of this Agreement.

11.8 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A: Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Party B: Xiaohua Chen

By: /s/ Xiaohua Chen

Party C: Tianjin 58 Daojia Home Services Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Amended and Restated Power of Attorney

We, 58 Co., Ltd., a limited liability company organized and existing under the laws of the PRC, and a holder of 94.1% of the entire registered capital in Tianjin 58 Daojia Home Services Co., Ltd. ("Domestic Company") as of the date when the Amended and Restated Power of Attorney ("Power of Attorney") is executed, hereby irrevocably authorize Beijing 58 Daojia Information Technology Co., Ltd. ("WFOE") to exercise the following rights relating to all equity interests held by us now and in the future ("Our Shareholding") during the term of this Power of Attorney:

WFOE is hereby authorized to act on our behalf as our exclusive agent and attorney with respect to all matters concerning Our Shareholding, including without limitation to: 1) attend shareholders' meetings of Domestic Company; 2) exercise all the shareholder's rights and shareholder's voting rights we are entitled to under the laws of China and Domestic Company's Articles of Association, including but not limited to the sale or transfer or pledge or disposition of Our Shareholding in part or in whole; and 3) designate and appoint on our behalf the legal representative, the directors, supervisors, the chief executive officer and other senior management members of Domestic Company.

Without limiting the generality of the powers granted hereunder, WFOE shall have the power and authority to, on our behalf, execute all the documents we shall sign as stipulated in the Amended and Restated Exclusive Option Agreement entered into by and among we, WFOE and Domestic Company on July 4, 2016 and the Amended and Restated Equity Pledge Agreement entered into by and among we, WFOE and Domestic Company on July 4, 2016 (including any modification, amendment and restatement thereto, collectively the "Transaction Documents"), and perform the terms of the Transaction Documents.

All the actions associated with Our Shareholding conducted by WFOE shall be deemed as our own actions, and all the documents related to Our Shareholding executed by WFOE shall be deemed to be executed by me. We hereby acknowledge and ratify those actions and/or documents by WFOE.

WFOE is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to us or obtaining our consent. If required by PRC laws, WFOE shall designate a PRC citizen to exercise the aforementioned rights.

This Power of Attorney is coupled with an interest and shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as we are a shareholder of Domestic Company.

During the term of this Power of Attorney, we hereby waive all the rights associated with Our Shareholding, which have been authorized to WFOE through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

58 Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

July 4, 2016

Accepted by:

Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Acknowledged by:

Tianjin 58 Daojia Home Services Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Power of Attorney

I, Jinbo Yao, a Chinese citizen with Chinese Identification Card No.: , and a holder of 1.4% of the entire registered capital in Tianjin 58 Daojia Home Services Co., Ltd. ("Domestic Company") as of the date when the Power of Attorney is executed, hereby irrevocably authorize Beijing 58 Daojia Information Technology Co., Ltd. ("WFOE") to exercise the following rights relating to all equity interests held by me now and in the future ("My Shareholding") during the term of this Power of Attorney:

WFOE is hereby authorized to act on behalf of myself as my exclusive agent and attorney with respect to all matters concerning My Shareholding, including without limitation to: 1) attend shareholders' meetings of Domestic Company; 2) exercise all the shareholder's rights and shareholder's voting rights I am entitled to under the laws of China and Domestic Company's Articles of Association, including but not limited to the sale or transfer or pledge or disposition of My Shareholding in part or in whole; and 3) designate and appoint on behalf of myself the legal representative, the directors, supervisors, the chief executive officer and other senior management members of Domestic Company.

Without limiting the generality of the powers granted hereunder, WFOE shall have the power and authority to, on behalf of myself, execute all the documents I shall sign as stipulated in Exclusive Option Agreement entered into by and among I, WFOE and Domestic Company on August 5, 2015 and the Equity Pledge Agreement entered into by and among I, WFOE and Domestic Company on August 5, 2015 (including any modification, amendment and restatement thereto, collectively the "Transaction Documents"), and perform the terms of the Transaction Documents.

All the actions associated with My Shareholding conducted by WFOE shall be deemed as my own actions, and all the documents related to My Shareholding executed by WFOE shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by WFOE.

WFOE is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to me or obtaining my consent. If required by PRC laws, WFOE shall designate a PRC citizen to exercise the aforementioned rights.

This Power of Attorney is coupled with an interest and shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as I am a shareholder of Domestic Company.

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to WFOE through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

Jinbo Yao

By: /s/ Jinbo Yao

August 5, 2015

Accepted by:

Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Acknowledged by:

Tianjin 58 Daojia Home Services Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Power of Attorney

I, Xiaohua Chen, a Chinese citizen with Chinese Identification Card No.: , and a holder of 4.5% of the entire registered capital in Tianjin 58 Daojia Home Services Co., Ltd. ("Domestic Company") as of the date when the Power of Attorney is executed, hereby irrevocably authorize Beijing 58 Daojia Information Technology Co., Ltd. ("WFOE") to exercise the following rights relating to all equity interests held by me now and in the future ("My Shareholding") during the term of this Power of Attorney:

WFOE is hereby authorized to act on behalf of myself as my exclusive agent and attorney with respect to all matters concerning My Shareholding, including without limitation to: 1) attend shareholders' meetings of Domestic Company; 2) exercise all the shareholder's rights and shareholder's voting rights I am entitled to under the laws of China and Domestic Company's Articles of Association, including but not limited to the sale or transfer or pledge or disposition of My Shareholding in part or in whole; and 3) designate and appoint on behalf of myself the legal representative, the directors, supervisors, the chief executive officer and other senior management members of Domestic Company.

Without limiting the generality of the powers granted hereunder, WFOE shall have the power and authority to, on behalf of myself, execute all the documents I shall sign as stipulated in Exclusive Option Agreement entered into by and among I, WFOE and Domestic Company on August 5, 2015 and the Equity Pledge Agreement entered into by and among I, WFOE and Domestic Company on August 5, 2015 (including any modification, amendment and restatement thereto, collectively the "Transaction Documents"), and perform the terms of the Transaction Documents.

All the actions associated with My Shareholding conducted by WFOE shall be deemed as my own actions, and all the documents related to My Shareholding executed by WFOE shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by WFOE.

WFOE is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to me or obtaining my consent. If required by PRC laws, WFOE shall designate a PRC citizen to exercise the aforementioned rights.

This Power of Attorney is coupled with an interest and shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as I am a shareholder of Domestic Company.

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to WFOE through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

Xiaohua Chen

By: /s/ Xiaohua Chen

August 5, 2015

Accepted by:

Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Acknowledged by:

Tianjin 58 Daojia Home Services Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Amended and Restated Loan Agreement

This Loan Agreement (this "Agreement") is made and entered into by and between the Parties below as of July 4, 2016 in Beijing, China:

- (1) **Beijing 58 Daojia Information Technology Co., Ltd.** ("Lender"), a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;
- (2) **58 Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Room 210-03, Office Building, Nangang Industry Zone, Economic and Technological Development District, Tianjin.

Each of the Lender and the Borrower shall be hereinafter referred to as a "Party" respectively, and as the "Parties" collectively.

Whereas:

1. As of the date hereof, Borrower holds 94.1% of equity interests in Tianjin 58 Daojia Home Services Co., Ltd. ("Borrower Company"). All of the equity interest now held and hereafter acquired by Borrower in Borrower Company shall be referred to as Borrower Equity Interest;
2. Lender confirms that it agrees to provide Borrower with and Borrower confirms that he/she has received a loan which equals to RMB94,100,000 to be used for the purposes set forth under this Agreement.

After friendly consultation, the Parties agree as follows:

1 Loan

- 1.1 In accordance with the terms and conditions of this Agreement, Lender and Borrower hereby acknowledge that Borrower has obtained from Lender a loan in the amount of RMB94,100,000 (the "Loan"). The term of the Loan shall be 10 years from August 5, 2015, which may be extended upon mutual written consent of the Parties. During the term of the Loan or the extended term of the Loan, Borrower shall immediately repay the full amount of the Loan in the event any one or more of the following circumstances occur:

- 1.1.1 30 days elapse after Borrower receives a written notice from Lender requesting repayment of the Loan;
- 1.1.2 Borrower's death, lack or limitation of civil capacity;
- 1.1.3 Borrower ceases (for any reason) to be an employee of Lender, Borrower Company or their affiliates;

1.1.4 Borrower engages in criminal act or is involved in criminal activities;

1.1.5 According to the applicable laws of China, foreign investors are permitted to invest in the Principle Business that is currently conducted by Borrower Company in China with a controlling stake and/or in the form of wholly-foreign-owned enterprises, the relevant competent authorities of China begin to approve such investments, and Lender exercises the exclusive option under the Amended and Restated Exclusive Option Agreement (the “Exclusive Option Agreement”) described in this Agreement.

1.2 The Loan provided by Lender under this Agreement shall inure to Borrower’s benefit only and not to Borrower’s successors or assigns.

1.3 Borrower agrees to accept the aforementioned Loan provided by Lender, and hereby agrees and warrants using the Loan to increase the registered capital of Borrower Company. Without Lender’s prior written consent, Borrower shall not use the Loan for any purpose other than as set forth herein.

1.4 Lender and Borrower hereby agree and acknowledge that Borrower’s method of repayment shall be at the sole discretion of Lender, and may at Lender’s option take the form of Borrower’s transferring the Borrower Equity Interest in whole to Lender or Lender’s designated persons (legal or natural persons) pursuant to the Lender’s exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement.

1.5 Lender and Borrower hereby agree and acknowledge that any proceeds from the transfer of the Borrower Equity Interest (to the extent permissible) shall be used to repay the Loan to Lender, in accordance with this Agreement and in the manner designated by Lender.

1.6 Lender and Borrower hereby agree and acknowledge that to the extent permitted by applicable laws, Lender shall have the right but not the obligation to purchase or designate other persons (legal or natural persons) to purchase Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.

1.7 Borrower also undertakes to execute an irrevocable Amended and Restated Power of Attorney (the “Power of Attorney”), which authorizes Lender or a legal or natural person designated by Lender to exercise all of Borrower’s rights as a shareholder of Borrower Company.

1.8 When Borrower transfers Borrower Equity Interest to Lender or Lender’s designated person(s), in the event that the transfer price of such equity interest equals or is lower than the principal of the Loan under this Agreement, the Loan under this Agreement shall be deemed an interest-free loan. In the event that the transfer price of such equity interest exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the Loan under this Agreement payable by Borrower to Lender.

2 Representations and Warranties

2.1 Between the date of this Agreement and the date of termination of this Agreement, Lender hereby makes the following representations and warranties to Borrower:

- 2.1.1 Lender is a corporation duly organized and legally existing in accordance with the laws of China;
- 2.1.2 Lender has the legal capacity to execute and perform this Agreement. The execution and performance by Lender of this Agreement is consistent with Lender's scope of business and the provisions of Lender's corporate bylaws and other organizational documents, and Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and
- 2.1.3 This Agreement constitutes Lender's legal, valid and binding obligations enforceable in accordance with its terms.

2.2 Between the date of this Agreement and the date of termination of this Agreement, Borrower hereby makes the following representations and warranties:

- 2.2.1 Borrower has the legal capacity to execute and perform this Agreement. Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;
- 2.2.2 This Agreement constitutes Borrower's legal, valid and binding obligations enforceable in accordance with its terms; and
- 2.2.3 There are no disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower.

3 Borrower's Covenants

3.1 As and when he becomes, and for so long as he remains a shareholder of Borrower Company, Borrower covenants irrevocably that during the term of this Agreement, Borrower shall cause Borrower Company:

- 3.1.1 to strictly abide by the provisions of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement to which the Borrower Company is a party, and to refrain from any action/omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement and Exclusive Business Cooperation Agreement.

- 3.1.2 at the request of Lender (or a party designated by Lender), to execute contracts/agreements on business cooperation with Lender (or a party designated by Lender), and to strictly abide by such contracts/agreements;
- 3.1.3 to provide Lender with all of the information on Borrower Company's business operations and financial condition at Lender's request;
- 3.1.4 to immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Company's assets, business or income;
- 3.1.5 at the request of Lender, to appoint any persons designated by Lender as directors of Borrower Company;

3.2 Borrower covenants that during the term of this Agreement, he shall:

- 3.2.1 endeavor to keep Borrower Company to engage in its Principle Businesses;
- 3.2.2 abide by the provisions of this Agreement, the Power of Attorney, the Amended and Restated Equity Interest Pledge Agreement (the "Equity Interest Pledge Agreement") and the Exclusive Option Agreement to which the Borrower is a party, perform his obligations under this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement;
- 3.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest or the encumbrance, except in accordance with the Equity Interest Pledge Agreement;
- 3.2.4 cause any shareholders' meeting and/or the board of directors of Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except to Lender or Lender's designated person;
- 3.2.5 cause any shareholders' meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of Lender;

- 3.2.6 immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Equity Interest;
- 3.2.7 to the extent necessary to maintain his ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;
- 3.2.8 without the prior written consent of Lender, refrain from any action /omission that may have a material impact on the assets, business and liabilities of Borrower Company;
- 3.2.9 appoint any designee of Lender as director of Borrower Company, at the request of Lender;
- 3.2.10 to the extent permitted by the laws of China, at the request of Lender at any time, promptly and unconditionally transfer all of Borrower Equity Interest to Lender or Lender's designated representative(s) at any time, and cause the other shareholders of Borrower Company to waive their right of first refusal with respect to the share transfer described in this Section;
- 3.2.11 to the extent permitted by the laws of China, at the request of Lender at any time, cause the other shareholders of Borrower Company to promptly and unconditionally transfer all of their equity interests to Lender or Lender's designated representative(s) at any time, and Borrower hereby waives his right of first refusal (if any) with respect to the share transfer described in this Section;
- 3.2.12 in the event that Lender purchases Borrower Equity Interest from Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to Lender; and
- 3.2.13 without the prior written consent of Lender, not to cause Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decreases its registered capital or change its share capital structure in any manner.

4 Liability for Default

- 4.1 If Borrower conducts any material breach of any term of this Agreement, Lender shall have right to terminate this Agreement and require the Borrower to compensate all damages; this Section 4.1 shall not prejudice any other rights of Lender herein.

- 4.2 If Lender conducts any breach of any term of this Agreement, Borrower shall not terminate this Agreement in any event unless otherwise required by applicable laws.
- 4.3 In the event that Borrower fails to perform the repayment obligations set forth in this Agreement, Borrower shall pay overdue interest of 0.01% per day for the outstanding payment, until the day Borrower repays the full principal of the Loan, overdue interests and other payable amounts.

5 Notices

- 5.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
 - 5.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery.
 - 5.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 5.2 For the purpose of notices, the addresses of the Parties are as follows:

Lender: **Beijing 58 Daojia Information Technology Co., Ltd.**
Address: Building 105, No.10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 59565858

Borrower: **58 Co., Ltd.**
Address: Building 105, No.10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 59565858

- 5.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

6 Confidentiality

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. The Parties shall maintain the confidentiality of all such information, and without the written consent of other Party, either Party shall not disclose any relevant information to any third party, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

7 Governing Law and Resolution of Disputes

- 7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes shall be governed by the laws of China.
- 7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8 Miscellaneous

- 8.1 This Agreement should become effective upon execution by the Parties, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.
- 8.2 This Agreement shall be written in both Chinese and English language in two copies, each Party having one copy with equal legal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall apply.

- 8.3 This Agreement may be amended or supplemented through written agreement by and between Lender and Borrower. Such written amendment agreement and/or supplementary agreement executed by and between Lender and Borrower are an integral part of this Agreement, and shall have the same legal validity as this Agreement.
- 8.4 In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.
- 8.5 The attachments (if any) to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.
- 8.6 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions of Sections 4, 6, 7 and this Section 8.6 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first above written.

Lender: Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Borrower: 58 Co. Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Loan Agreement

This Loan Agreement (this “Agreement”) is made and entered into by and between the Parties below as of August 5, 2015 in Beijing, China:

- (1) **Beijing 58 Daojia Information Technology Co., Ltd.** (“Lender”), a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, #66 Xixiaokou Road, Haidian District, Beijing;
- (2) **Jinbo Yao** (“Borrower”), a citizen of China with Chinese Identification No.: .

Each of the Lender and the Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas:

1. As of the date hereof, Borrower holds 1.4% of equity interests in Tianjin 58 Daojia Home Services Co., Ltd. (“Borrower Company”). All of the equity interest now held and hereafter acquired by Borrower in Borrower Company shall be referred to as Borrower Equity Interest;
2. Lender confirms that it agrees to provide Borrower with and Borrower confirms that he/she has received a loan which equals to RMB1,400,000 to be used for the purposes set forth under this Agreement.

After friendly consultation, the Parties agree as follows:

1 Loan

- 1.1 In accordance with the terms and conditions of this Agreement, Lender and Borrower hereby acknowledge that Borrower has obtained from Lender a loan in the amount of RMB1,400,000 (the “Loan”). The term of the Loan shall be 10 years from the effective date of this Agreement, which may be extended upon mutual written consent of the Parties. During the term of the Loan or the extended term of the Loan, Borrower shall immediately repay the full amount of the Loan in the event any one or more of the following circumstances occur:
 - 1.1.1 30 days elapse after Borrower receives a written notice from Lender requesting repayment of the Loan;
 - 1.1.2 Borrower’s death, lack or limitation of civil capacity;
 - 1.1.3 Borrower ceases (for any reason) to be an employee of Lender, Borrower Company or their affiliates;

1.1.4 Borrower engages in criminal act or is involved in criminal activities;

1.1.5 According to the applicable laws of China, foreign investors are permitted to invest in the Principle Business that is currently conducted by Borrower Company in China with a controlling stake and/or in the form of wholly-foreign-owned enterprises, the relevant competent authorities of China begin to approve such investments, and Lender exercises the exclusive option under the Exclusive Option Agreement (the “Exclusive Option Agreement”) described in this Agreement.

1.2 The Loan provided by Lender under this Agreement shall inure to Borrower’s benefit only and not to Borrower’s successors or assigns.

1.3 Borrower agrees to accept the aforementioned Loan provided by Lender, and hereby agrees and warrants using the Loan to increase the registered capital of Borrower Company. Without Lender’s prior written consent, Borrower shall not use the Loan for any purpose other than as set forth herein.

1.4 Lender and Borrower hereby agree and acknowledge that Borrower’s method of repayment shall be at the sole discretion of Lender, and may at Lender’s option take the form of Borrower’s transferring the Borrower Equity Interest in whole to Lender or Lender’s designated persons (legal or natural persons) pursuant to the Lender’s exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement.

1.5 Lender and Borrower hereby agree and acknowledge that any proceeds from the transfer of the Borrower Equity Interest (to the extent permissible) shall be used to repay the Loan to Lender, in accordance with this Agreement and in the manner designated by Lender.

1.6 Lender and Borrower hereby agree and acknowledge that to the extent permitted by applicable laws, Lender shall have the right but not the obligation to purchase or designate other persons (legal or natural persons) to purchase Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.

1.7 Borrower also undertakes to execute an irrevocable Power of Attorney (the “Power of Attorney”), which authorizes Lender or a legal or natural person designated by Lender to exercise all of Borrower’s rights as a shareholder of Borrower Company.

1.8 When Borrower transfers Borrower Equity Interest to Lender or Lender’s designated person(s), in the event that the transfer price of such equity interest equals or is lower than the principal of the Loan under this Agreement, the Loan under this Agreement shall be deemed an interest-free loan. In the event that the transfer price of such equity interest exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the Loan under this Agreement payable by Borrower to Lender.

2 Representations and Warranties

2.1 Between the date of this Agreement and the date of termination of this Agreement, Lender hereby makes the following representations and warranties to Borrower:

- 2.1.1 Lender is a corporation duly organized and legally existing in accordance with the laws of China;
- 2.1.2 Lender has the legal capacity to execute and perform this Agreement. The execution and performance by Lender of this Agreement is consistent with Lender's scope of business and the provisions of Lender's corporate bylaws and other organizational documents, and Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and
- 2.1.3 This Agreement constitutes Lender's legal, valid and binding obligations enforceable in accordance with its terms.

2.2 Between the date of this Agreement and the date of termination of this Agreement, Borrower hereby makes the following representations and warranties:

- 2.2.1 Borrower has the legal capacity to execute and perform this Agreement. Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;
- 2.2.2 This Agreement constitutes Borrower's legal, valid and binding obligations enforceable in accordance with its terms; and
- 2.2.3 There are no disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower.

3 Borrower's Covenants

3.1 As and when he becomes, and for so long as he remains a shareholder of Borrower Company, Borrower covenants irrevocably that during the term of this Agreement, Borrower shall cause Borrower Company:

- 3.1.1 to strictly abide by the provisions of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement to which the Borrower Company is a party, and to refrain from any action/omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement and Exclusive Business Cooperation Agreement;
- 3.1.2 at the request of Lender (or a party designated by Lender), to execute contracts/agreements on business cooperation with Lender (or a party designated by Lender), and to strictly abide by such contracts/agreements;
- 3.1.3 to provide Lender with all of the information on Borrower Company's business operations and financial condition at Lender's request;
- 3.1.4 to immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Company's assets, business or income;
- 3.1.5 at the request of Lender, to appoint any persons designated by Lender as directors of Borrower Company;

3.2 Borrower covenants that during the term of this Agreement, he shall:

- 3.2.1 endeavor to keep Borrower Company to engage in its Principle Businesses;
- 3.2.2 abide by the provisions of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement to which the Borrower is a party, perform his obligations under this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement;
- 3.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest or the encumbrance, except in accordance with the Equity Interest Pledge Agreement;
- 3.2.4 cause any shareholders' meeting and/or the board of directors of Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except to Lender or Lender's designated person;
- 3.2.5 cause any shareholders' meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of Lender;

- 3.2.6 immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Equity Interest;
- 3.2.7 to the extent necessary to maintain his ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;
- 3.2.8 without the prior written consent of Lender, refrain from any action /omission that may have a material impact on the assets, business and liabilities of Borrower Company;
- 3.2.9 appoint any designee of Lender as director of Borrower Company, at the request of Lender;
- 3.2.10 to the extent permitted by the laws of China, at the request of Lender at any time, promptly and unconditionally transfer all of Borrower Equity Interest to Lender or Lender's designated representative(s) at any time, and cause the other shareholders of Borrower Company to waive their right of first refusal with respect to the share transfer described in this Section;
- 3.2.11 to the extent permitted by the laws of China, at the request of Lender at any time, cause the other shareholders of Borrower Company to promptly and unconditionally transfer all of their equity interests to Lender or Lender's designated representative(s) at any time, and Borrower hereby waives his right of first refusal (if any) with respect to the share transfer described in this Section;
- 3.2.12 in the event that Lender purchases Borrower Equity Interest from Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to Lender; and
- 3.2.13 without the prior written consent of Lender, not to cause Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decreases its registered capital or change its share capital structure in any manner.

4 Liability for Default

- 4.1 If Borrower conducts any material breach of any term of this Agreement, Lender shall have right to terminate this Agreement and require the Borrower to compensate all damages; this Section 4.1 shall not prejudice any other rights of Lender herein.

4.2 If Lender conducts any breach of any term of this Agreement, Borrower shall not terminate this Agreement in any event unless otherwise required by applicable laws.

4.3 In the event that Borrower fails to perform the repayment obligations set forth in this Agreement, Borrower shall pay overdue interest of 0.01% per day for the outstanding payment, until the day Borrower repays the full principal of the Loan, overdue interests and other payable amounts.

5 Notices

5.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

5.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery.

5.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

5.2 For the purpose of notices, the addresses of the Parties are as follows:

Lender: **Beijing 58 Daojia Information Technology Co., Ltd.**

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Borrower: **Jinbo Yao**

Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

5.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

6 Confidentiality

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. The Parties shall maintain the confidentiality of all such information, and without the written consent of other Party, either Party shall not disclose any relevant information to any third party, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

7 Governing Law and Resolution of Disputes

- 7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes shall be governed by the laws of China.
- 7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8 Miscellaneous

- 8.1 This Agreement should become effective upon execution by the Parties, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.
- 8.2 This Agreement shall be written in both Chinese and English language in two copies, each Party having one copy with equal legal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall apply.

- 8.3 This Agreement may be amended or supplemented through written agreement by and between Lender and Borrower. Such written amendment agreement and/or supplementary agreement executed by and between Lender and Borrower are an integral part of this Agreement, and shall have the same legal validity as this Agreement.
- 8.4 In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.
- 8.5 The attachments (if any) to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.
- 8.6 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions of Sections 4, 6, 7 and this Section 8.6 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first above written.

Lender: Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Borrower: Jinbo Yao

By: /s/ Jinbo Yao

Loan Agreement

This Loan Agreement (this “Agreement”) is made and entered into by and between the Parties below as of August 5, 2015 in Beijing, China:

- (1) **Beijing 58 Daojia Information Technology Co., Ltd.** (“Lender”), a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room D101A-123, Building B-2 of Zhongguancun Dongsheng Science Park, 66# Xixiaokou Road, Haidian District, Beijing;
- (2) **Xiaohua Chen** (“Borrower”), a citizen of China with Chinese Identification No.:

Each of the Lender and the Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas:

1. As of the date hereof, Borrower holds 4.5% of equity interests in Tianjin 58 Daojia Home Services Co., Ltd. (“Borrower Company”). All of the equity interest now held and hereafter acquired by Borrower in Borrower Company shall be referred to as Borrower Equity Interest;
2. Lender confirms that it agrees to provide Borrower with and Borrower confirms that he/she has received a loan which equals to RMB4,500,000 to be used for the purposes set forth under this Agreement.

After friendly consultation, the Parties agree as follows:

1 Loan

- 1.1 In accordance with the terms and conditions of this Agreement, Lender and Borrower hereby acknowledge that Borrower has obtained from Lender a loan in the amount of RMB4,500,000 (the “Loan”). The term of the Loan shall be 10 years from the effective date of this Agreement, which may be extended upon mutual written consent of the Parties. During the term of the Loan or the extended term of the Loan, Borrower shall immediately repay the full amount of the Loan in the event any one or more of the following circumstances occur:
 - 1.1.1 30 days elapse after Borrower receives a written notice from Lender requesting repayment of the Loan;
 - 1.1.2 Borrower’s death, lack or limitation of civil capacity;
 - 1.1.3 Borrower ceases (for any reason) to be an employee of Lender, Borrower Company or their affiliates;

1.1.4 Borrower engages in criminal act or is involved in criminal activities;

1.1.5 According to the applicable laws of China, foreign investors are permitted to invest in the Principle Business that is currently conducted by Borrower Company in China with a controlling stake and/or in the form of wholly-foreign-owned enterprises, the relevant competent authorities of China begin to approve such investments, and Lender exercises the exclusive option under the Exclusive Option Agreement (the “Exclusive Option Agreement”) described in this Agreement.

1.2 The Loan provided by Lender under this Agreement shall inure to Borrower’s benefit only and not to Borrower’s successors or assigns.

1.3 Borrower agrees to accept the aforementioned Loan provided by Lender, and hereby agrees and warrants using the Loan to increase the registered capital of Borrower Company. Without Lender’s prior written consent, Borrower shall not use the Loan for any purpose other than as set forth herein.

1.4 Lender and Borrower hereby agree and acknowledge that Borrower’s method of repayment shall be at the sole discretion of Lender, and may at Lender’s option take the form of Borrower’s transferring the Borrower Equity Interest in whole to Lender or Lender’s designated persons (legal or natural persons) pursuant to the Lender’s exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement.

1.5 Lender and Borrower hereby agree and acknowledge that any proceeds from the transfer of the Borrower Equity Interest (to the extent permissible) shall be used to repay the Loan to Lender, in accordance with this Agreement and in the manner designated by Lender.

1.6 Lender and Borrower hereby agree and acknowledge that to the extent permitted by applicable laws, Lender shall have the right but not the obligation to purchase or designate other persons (legal or natural persons) to purchase Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.

1.7 Borrower also undertakes to execute an irrevocable Power of Attorney (the “Power of Attorney”), which authorizes Lender or a legal or natural person designated by Lender to exercise all of Borrower’s rights as a shareholder of Borrower Company.

1.8 When Borrower transfers Borrower Equity Interest to Lender or Lender’s designated person(s), in the event that the transfer price of such equity interest equals or is lower than the principal of the Loan under this Agreement, the Loan under this Agreement shall be deemed an interest-free loan. In the event that the transfer price of such equity interest exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the Loan under this Agreement payable by Borrower to Lender.

2 Representations and Warranties

2.1 Between the date of this Agreement and the date of termination of this Agreement, Lender hereby makes the following representations and warranties to Borrower:

- 2.1.1 Lender is a corporation duly organized and legally existing in accordance with the laws of China;
- 2.1.2 Lender has the legal capacity to execute and perform this Agreement. The execution and performance by Lender of this Agreement is consistent with Lender's scope of business and the provisions of Lender's corporate bylaws and other organizational documents, and Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and
- 2.1.3 This Agreement constitutes Lender's legal, valid and binding obligations enforceable in accordance with its terms.

2.2 Between the date of this Agreement and the date of termination of this Agreement, Borrower hereby makes the following representations and warranties:

- 2.2.1 Borrower has the legal capacity to execute and perform this Agreement. Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;
- 2.2.2 This Agreement constitutes Borrower's legal, valid and binding obligations enforceable in accordance with its terms; and
- 2.2.3 There are no disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower.

3 Borrower's Covenants

3.1 As and when he becomes, and for so long as he remains a shareholder of Borrower Company, Borrower covenants irrevocably that during the term of this Agreement, Borrower shall cause Borrower Company:

- 3.1.1 to strictly abide by the provisions of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement to which the Borrower Company is a party, and to refrain from any action/omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement and Exclusive Business Cooperation Agreement.

- 3.1.2 at the request of Lender (or a party designated by Lender), to execute contracts/agreements on business cooperation with Lender (or a party designated by Lender), and to strictly abide by such contracts/agreements;
- 3.1.3 to provide Lender with all of the information on Borrower Company's business operations and financial condition at Lender's request;
- 3.1.4 to immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Company's assets, business or income;
- 3.1.5 at the request of Lender, to appoint any persons designated by Lender as directors of Borrower Company;

3.2 Borrower covenants that during the term of this Agreement, he shall:

- 3.2.1 endeavor to keep Borrower Company to engage in its Principle Businesses;
- 3.2.2 abide by the provisions of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement to which the Borrower is a party, perform his obligations under this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement;
- 3.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest or the encumbrance, except in accordance with the Equity Interest Pledge Agreement;
- 3.2.4 cause any shareholders' meeting and/or the board of directors of Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except to Lender or Lender's designated person;
- 3.2.5 cause any shareholders' meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of Lender;

- 3.2.6 immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Equity Interest;
- 3.2.7 to the extent necessary to maintain his ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;
- 3.2.8 without the prior written consent of Lender, refrain from any action /omission that may have a material impact on the assets, business and liabilities of Borrower Company;
- 3.2.9 appoint any designee of Lender as director of Borrower Company, at the request of Lender;
- 3.2.10 to the extent permitted by the laws of China, at the request of Lender at any time, promptly and unconditionally transfer all of Borrower Equity Interest to Lender or Lender's designated representative(s) at any time, and cause the other shareholders of Borrower Company to waive their right of first refusal with respect to the share transfer described in this Section;
- 3.2.11 to the extent permitted by the laws of China, at the request of Lender at any time, cause the other shareholders of Borrower Company to promptly and unconditionally transfer all of their equity interests to Lender or Lender's designated representative(s) at any time, and Borrower hereby waives his right of first refusal (if any) with respect to the share transfer described in this Section;
- 3.2.12 in the event that Lender purchases Borrower Equity Interest from Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to Lender; and
- 3.2.13 without the prior written consent of Lender, not to cause Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decreases its registered capital or change its share capital structure in any manner.

4 Liability for Default

- 4.1 If Borrower conducts any material breach of any term of this Agreement, Lender shall have right to terminate this Agreement and require the Borrower to compensate all damages; this Section 4.1 shall not prejudice any other rights of Lender herein.

- 4.2 If Lender conducts any breach of any term of this Agreement, Borrower shall not terminate this Agreement in any event unless otherwise required by applicable laws.
- 4.3 In the event that Borrower fails to perform the repayment obligations set forth in this Agreement, Borrower shall pay overdue interest of 0.04.5% per day for the outstanding payment, until the day Borrower repays the full principal of the Loan, overdue interests and other payable amounts.

5 Notices

- 5.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
 - 5.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery.
 - 5.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 5.2 For the purpose of notices, the addresses of the Parties are as follows:

Lender: **Beijing 58 Daojia Information Technology Co., Ltd.**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Attn: Jinbo Yao
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

Borrower: **Xiaohua Chen**
Address: Tower E, North America International Business Center, #Yi108, Beiyuan Road, Chaoyang District, Beijing
Phone: +8610 64435588-8888
Facsimile: +8610-64459926

- 5.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

6 Confidentiality

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. The Parties shall maintain the confidentiality of all such information, and without the written consent of other Party, either Party shall not disclose any relevant information to any third party, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

7 Governing Law and Resolution of Disputes

- 7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes shall be governed by the laws of China.
- 7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8 Miscellaneous

- 8.1 This Agreement should become effective upon execution by the Parties, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.
- 8.2 This Agreement shall be written in both Chinese and English language in two copies, each Party having one copy with equal legal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall apply.

- 8.3 This Agreement may be amended or supplemented through written agreement by and between Lender and Borrower. Such written amendment agreement and/or supplementary agreement executed by and between Lender and Borrower are an integral part of this Agreement, and shall have the same legal validity as this Agreement.
- 8.4 In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.
- 8.5 The attachments (if any) to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.
- 8.6 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions of Sections 4, 6, 7 and this Section 8.6 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first above written.

Lender: Beijing 58 Daojia Information Technology Co., Ltd.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Legal Representative

Borrower: Xiaohua Chen

By: /s/ Xiaohua Chen

OFFSHORE CREDIT AGREEMENT

No.: 2016 Li Zi Di 033102

Credit Grantor: China Merchants Bank Co., Ltd. (hereinafter referred to as "Party A")

Chief Principal:

Credit Applicant: 58.com Inc. (hereinafter referred to as "Party B")

Chief Principal:

Upon the application of Party B, Party A agrees to, through its offshore financial center, grant a credit line to Party B for its use in accordance with this Agreement. Now through the full consultation and pursuant to the applicable law, Party A and Party B hereby enter into this Agreement as follows.

Clause 1 Credit Line

1.1 Party A will grant Party B the credit line up to US Dollars two hundred and seventy-five million only (including the equivalent amount in other currencies converted at the foreign exchange rates published by Party A when each specific business actually takes place, the same below), the amount of credit line which may be actually used shall be the amount of the qualified standby letter of credit / letter of guarantee received by Party A (please mark with "√" in , if this agreed term is applicable), of which (please make a choice by marking with "√" below):

revolving credit line currency dollar;
 one-time credit line US Dollars two hundred and seventy-five million.

The revolving credit line means the maximum of the sum of credit principal balances of loans, trade financing, letters of guarantee, overdraft, /, / and etc. to be make available by Party A to Party B during the term of credit which may be used in a continuous and revolving manner.

The one-time credit line means that when applying to Party A for conducting a number of credit business during the term of credit, Party B will submit to Party A an application separately for each of such business, and the cumulatively occurring amount of all credit business shall not exceed the amount of one-time credit line as specified herein. Party B shall not use the one-time credit line in a revolving manner, and the corresponding amounts of such number of credit business conducted upon the applications of Party B shall occupy the amount of one-time credit line as set forth in this clause until cumulatively fully occupy such amount.

“Trade financing” includes such types of business as the opening of letters of credit, inward documentary bill, delivery guarantee, inward bill purchased under collection, packing credit, outward documentary bill, collection bill purchased, import / export remittance financing, short-term credit insurance financing, import factoring, export factoring (other than double factoring without recourse and double factoring without recourse in the system of Party A, the same below), , .

“Working capital loans” refer to short-term or mid-term loans, with the specific term for each drawing being one month, three months, six months, one year or other term to be agreed on by the parties.

- 1.2 When Party A conducts the import factoring where Party B is the payer, the creditor’s rights assigned to Party A thereunder to the receivables payable by Party B occupy the aforesaid credit line; when Party A conducts the export factoring for the account of Party B, then the basic purchasing funds provided by Party A to Party B thereunder occupy the aforesaid credit line.

1.3 The aforesaid credit line excludes the corresponding portion of credit amount secured by the security deposits or pledge on deposit receipt provided by Party B or third parties solely against single specific business hereunder; the same below.

1.4 Upon the application, Party B has applied to and been granted by Party A the credit line amounting to (currency) dollars on date month, year for the term being months beginning from date month, year and ending on date month, year, for which the parties have executed an *Offshore Credit Agreement* (hereinafter referred to the “Original Credit Agreement”). From the effective date hereof, any outstanding balance (if any) (the specific amount of which will be fixed as per the records and determination of Party A) of the specific business having occurred under the Original Credit Agreement shall be automatically included hereunder and directly occupy the credit line hereunder, and the unused credit line under the Original Credit Agreement shall be automatically abolished. (Please mark with “” in , if this clause is applicable.)

Clause 2 Term of Credit

The term of credit shall be thirteen months, i.e., from April 1st, 2016 to April 21st, 2017. Party B shall submit applications to Party A for the use of credit during such term, and Party A will not accept any application submitted by Party B for the use of credit beyond the expiration date of such term, unless otherwise provided herein.

Clause 3 Use of Credit Line

3.1 Types and Scope of Credit Line

The aforesaid credit line shall be (make a choice between the two options below by marking with “”):

3.1.1 Comprehensive credit line; the parties agree as follows on the types and amounts of specific business for which the credit line may be used:

____ / ____ , ____ / ____
____ / ____ , ____ / ____

Meanwhile, Party B (insert “may” or “may not”) transfer the aforesaid credit line and (the below may be selected by marking with “✓”):

- May be transferred between all types of business;
- May be transferred between part of types of business, i.e., ____ / ____ and ____ / ____;

(✓) 3.1.2 Working capital loans single credit line. Used to repay the dollar loan lent to Party B by Tencent Holdings Limited (including Ohio River); used for any other purpose not permitted.

3.2 During the term of credit, the revolving credit line may be used by Party B in a revolving manner, and the one-time credit line may not be used in a revolving manner. Party B must submit an application separately for each use of credit line, and Party A will approve and agree separately for each use. When Party B applies for the working capital loans within the credit line, it's not necessary for Party A and Party B to execute a *Loan Contract* separately for each application, but, however, Party B shall submit an *Application for Drawing* to Party A when each time applying for a loan, and if Party A agrees to make such loan after having examined such application, the contents of such loan will be evidenced by an applicable receipt for loan. The parties agree that the contents evidenced by the applicable receipt for loan shall prevail in case of any discrepancy between the provisions of the *Application for Drawing* and the receipt for loan regarding the amount, term, interest rate, purpose and other aspects of a loan.

When Party B applies for credit other than the working capital loans and Party A approves after examination, the amount, term specific purpose and other aspects of each credit may be stipulated in a contract (including a receipt for loan) or an agreement to be separately executed by the parties for such specific business, or in an applicable application for business submitted by Party B to and accepted by Party A.

The aforesaid contracts, agreements or applicable applications for specific business are collectively referred to as the “Specific Contracts”. Under the import factoring, a Specific Contract shall be deemed to have been entered into by Party A and Party B upon Party B confirming, in a manner acknowledged by Party A, a *Notice of Assignment of Receivables* sent by Party A to Party B.

3.3 The term of use for each loan or other credit within the credit line shall be determined as per Party B’s demand in its operation and Party A’s regulations for business management, and the expiration date for each specific business may not (insert “may” or “may not”) be later than the expiration date for the term of credit [if such loan or other credit is secured with a standby letter of credit / letter of guarantee, its expiration date may not be later than five business days prior to the expiration date of the applicable standby letter of credit / letter of guarantee (please mark with “” in if this clause is applicable)].

3.4 Examination and Adjustment of Credit. Party A shall be entitled to independently examine the credit during its term, and upon a written notice to Party B, at any time unilaterally modify the amount and other terms and conditions of the original credit, including cancelling the portion of credit which has not been drawn.

Clause 4 Interest and Fees

4.1 The interest rates for the loans and financing within the credit line and the fees charged for the relevant business will be collected pursuant to the provisions of the respective Specific Contracts. In addition, Party A will receive from Party B the financing charges at 0.05% per annum of average daily financing balance and the fees for supervision of account at 0.55% per annum of average daily financing balance; both the financing charges and fees for supervision of account shall be paid in a lump sum when the line is used for the first time; or paid in the manner same to that of the interest (make a choice between the two options by marking with “”)

4.2 The interest for a working capital loan will be paid together at the time of repayment of the principal, if the term of such loan is not more than three months (including three months). If the term is more than three months, the interest payment dates shall be March 21st, June 21st, September 21st and December 21st of each year, and the interest accruing until the day immediately prior to each interest payment date shall be paid on such interest payment date. The interest of loan will be calculated from the day when the loan fund is transferred into the borrowing account on the basis of the amount of loan actually made and the number of days actually occupied. Party B must pay the interest on each interest payment date, and Party A may directly collect by deducting from the deposit account of Party B. Should Party B fail to pay the interest on time, Party A shall be entitled to receive the compound interest on the unpaid interest at the loan interest to be determined pursuant to the receipt for loan.

4.3 The principal and remaining interest and financing charges (if any) must be paid off simultaneously when the loan is paid off.

4.4 Unless otherwise provided in the Specific Contract, the financing interest rate shall not be less than LIBOR (three months) + 55 BPs.

4.4.1 Party A shall be entitled to regularly or irregularly adjust such BPs in accordance with the change in the relevant national policies, the change in the prices in the international credit loan market or the change in Party A's policies for credit loan. When deciding to make such adjustment, Party A shall send Party B a five business days' prior written notice. Such adjustment will become effective after Party A has notified Party B. The new credit line for Party B and the specific BPs for the loan which has been drawn prior to the effectiveness of the notice and has not been repaid will be governed by the provisions as determined by Party A in the notice, and the floating period will still be governed by the provisions hereof.

4.4.2 If the loan adopts the floating interest rate, the floating period shall: (make a choice between the two options by marking with "✓")

be subject to the provisions as set forth in the receipt for loan;

float for the floating period of / months / days.

The date when the loan is actually made will be the pricing date for the first floating period, and thereafter the first date of each floating period will be the pricing date for such floating period (the pricing date means the reference date used to determine the prime interest rate within the floating period; Party A will determine in accordance with the international practices that the interest rate determination date will be the pricing date or the date falling on one or two business day(s) prior to the pricing date).

4.5 If Party B fails to repay the loan on time, the default interest shall be collected at 2% plus the original interest rate on the amount in arrears from the overdue date.

If Party B fails to use the loan for the purpose hereof, the default interest shall be collected at 2% plus the original interest rate on the amount not used for the purpose as per the contract from the date when Party B began to use such amount for other purpose.

Clause 5 Guarantee

5.1 China Merchants Bank Co., Ltd., Beijing Branch shall, as the guarantor assuming joint and several liabilities, issue the standby letter of credit or irrevocable maximum letter of guarantee in favor of Party A for securing all debts owed by Party B to Party A hereunder. And / or

5.2 _____ / _____ shall create mortgage (pledge) on all _____ / _____ properties owned by it or of which it has the right to legally dispose for securing all debts owed by Party B to Party A hereunder; the parties will separately execute the contract for such security.

Party A shall be entitled to decline to grant the credit to Party B, if the guarantor fails to execute the instrument or appropriately complete the procedures for the security in accordance with the provisions of this clause.

Clause 6 Rights and Obligations of Party B

6.1 Party B shall have the following rights:

6.1.1 the right to require Party A to provide the loan or other credit within the credit line pursuant to the conditions hereof;

6.1.2 the right to use the credit line pursuant to the agreements hereof;

6.1.3 the right to require Party A to keep confidential the information provided by Party B regarding the production, operation, properties, accounts and other aspects, unless otherwise provided by the laws or regulations or otherwise required by the regulatory authorities;

6.1.4 the right to transfer its debts to a third party upon the consent of Party A.

6.2 Party B shall undertake the following obligations:

- 6.2.1 to truthfully provide such documents as required by Party A (including but not limited to the true copies of its financial statements and annual financial reports for such periods as required by Party A, and the significant decisions on and changes in its production, operation and management), and the information about each bank with which it maintains an account, each account and the balance of deposit and loan, and to cooperate with Party A in the investigation, examination and inspection by Party A;
- 6.2.2 to be subject to the supervision by Party A on Party B's use of the credit funds and relevant production, operation and financial activities;
- 6.2.3 to use the loans and / or other credit in accordance with the agreements herein and in each Specific Contract and / or for the covenanted purposes;
- 6.2.4 to on time and fully repay the principal of loans, advances and other credit debts, and pay the interest thereon in accordance with the agreements herein and in each Specific Contract;
- 6.2.5 to obtain the written consent of Party A if assigning the debts hereunder or any part thereof to a third party;
- 6.2.6 to promptly notify Party A and actively cooperate with Party A in adopting all measures to ensure the safety repayment of the principal of loans, advances and other credit debts hereunder and the payment of the interest thereon and all relevant fees in case of any of the following circumstances;
 - 6.2.6.1 material financial loss, loss of assets or other financial crisis;
 - 6.2.6.2 making a loan to or providing guarantee for a third party, or creating mortgage (pledge) on its own properties (rights);
 - 6.2.6.3 such changes as merger (consolidation), separation, reorganization, joint venture (cooperation), transfer of property right (equity) and shareholding reform;

- 6.2.6.4 such circumstances as winding-up, revocation or cancellation of business license, filing or being filed for bankruptcy, and dissolution;
- 6.2.6.5 any material crisis in the operation or finance of its holding shareholder or other affiliate, or any coercive measure taken by a competent governmental authority on any officer of it or any of its holding shareholder or affiliate, which may affect its normal operation;
- 6.2.6.6 any material affiliated transaction with its holding shareholder or other affiliate, which affects its normal operation;
- 6.2.6.7 any litigation, arbitration or criminal or administrative penalty materially and adversely affecting its operation or properties status;
- 6.2.6.8 any other material circumstance which may affect its ability to pay off its debts;

6.2.7 not to be indolent in managing or exercising the right of recourse for its maturity creditor's rights, or to dispose of the current major properties without consideration or otherwise dispose of such properties in an inappropriate manner.

Clause 7 Rights and Obligations of Party A

7.1 Party A shall have the following rights:

- 7.1.1 the right to require Party B to on time and fully repay the principal of loans, advances and other credit debts hereunder and under each Specific Contract, and pay the interest thereon;
- 7.1.2 the right to require Party B to provide the information regarding Party B's use of its credit line;
- 7.1.3 the right to be aware of the production, operation and financial activities of Party B;

- 7.1.4 the right to supervise Party B's use of the loans and / or other credit for the purposes agreed herein and in each Specific Contract;
- 7.1.5 the right to directly make deductions from the account of Party B for the purpose to repay the debts owed by Party B hereunder and under each Specific Contract in accordance with the provisions hereof;
- 7.1.6 the right to assign its creditor's rights against Party B, and send Party B [thirty days'] prior written notice of the assignment in such manner as it considers appropriate including but not limited to facsimile, mail and personal service, and make collection from Party B;
- 7.1.7 and other rights as set forth herein.

7.2 Party A shall undertake the following obligations:

- 7.2.1 to make loans or provide other credit to Party B within the credit line in accordance with the conditions specified herein and in each Specific Contract;
- 7.2.2 to keep confidential the information regarding Party B's assets, finance, production and operation, unless otherwise provided by the laws or regulations or otherwise required by the regulatory authorities.

Clause 8 Party B specifically makes the following warranties

- 8.1 Party B is an entity qualified as a legal person duly registered and legally existing under the law of the jurisdiction where it's registered, and of the full civil capacity of executing and performing this Agreement;
- 8.2 Party B's execution and performance of this Agreement have been fully authorized by its board of directors or other competent organ;
- 8.3 The documents, information and evidences provided by Party B relevant to Party B, the guarantor, mortgagor (pledger) and collateral (pledged properties) are true, accurate, complete and effective without error not consistent with the fact or omission of any material fact;

- 8.4 Party B shall strictly observe the agreements in each Specific Contract and the letters of undertaking signed by it in favor of Party A and other relevant documents;
- 8.5 There is no litigation, arbitration or criminal or administrative penalty which may materially and adversely affect Party B or its major properties as of the execution hereof, and there will be no such litigation, arbitration or criminal or administrative penalty during the performance hereof. In case of occurrence of any such litigation, arbitration or criminal or administrative penalty, Party B shall promptly notify Party A;
- 8.6 Party B shall strictly comply with the laws and regulations of the jurisdictions where it's registered and its principal business place is located and China when conducting its activities, engage in business strictly within the business scope as specified in its articles of association or permitted under the law, and handle the procedures for the annual inspection of its registration;
- 8.7 Party B shall maintain or enhance its current level of operation and management and ensure the preservation and increase of the value of its existing assets, and shall neither waive any maturity creditor's rights, nor dispose of its current major properties without consideration or otherwise dispose of such properties in an inappropriate manner;
- 8.8 Without the permission of Party A, Party B shall not pay off other long-term debts in advance, or ____ / ___, or ____ / ____;
- 8.9 There is no other important event occurring to Party B which affects Party B's ability to perform its obligations hereunder as of the execution hereof.

Clause 9 Other Fees

Party B shall assume all costs arising from the credit investigation, inspection and notarization relevant to this Agreement, and attorney's fee and costs for litigation, travelling, announcement, service and etc. incurred by Party A as a result of realizing its creditor's rights in the event that Party B fails to on time pay off the debts owed by it to Party A hereunder, and authorize Party A to directly deduct such costs from the account of Party B maintained with Party A. In case of any deficiency, Party B shall ensure to pay after receipt of Party A's notice.

Clause 10 Events of Breach and Actions thereon

10.1 An event of breach shall be deemed to be constituted if any of the following circumstances occurs to Party B:

- 10.1.1Party B breaches the obligation under Clause 6.2.1 by providing any false information to Party A or concealing any important truth from Party A or not cooperating with Party A in its investigation, examination or inspection;
- 10.1.2Party B breaches the obligation under Clause 6.2.2 by not accepting or evading supervision of Party A on Party B's use of credit funds or its relevant production, operation or financial activities;
- 10.1.3Party B breaches the obligation under Clause 6.2.3 by not using the loans and / or other credit for the purposes as specified herein or in each Specific Contract;
- 10.1.4Party B breaches the obligation under Clause 6.2.4 by failing to on time or fully repay the principal of loans, advances or other credit debts, or to pay the interest thereon in accordance with the agreements herein or in each Specific Contract ;
- 10.1.5Party B breaches the obligation under Clause 6.2.5 by transferring the debts hereunder to any third party without the consent of Party A, or breaches the obligation under Clause 6.2.7 by being indolent in managing or exercising the right of recourse for its maturity creditor's rights, or disposing of the current major properties without consideration or otherwise disposing of such properties in an inappropriate manner;

10.1.6Party B breaches the obligation under Clause 6.2.6 by failing to timely notify Party A of any circumstance as set forth in that clause, or failing to cooperate with Party A in its requirement for Party B to adopt further measure to ensure the paying off of the debts hereunder upon Party A becoming aware of any such circumstance, or it's not favorable, in Party A's opinion, for the safe recovery of the principal of credit and interest thereon;

10.1.7Party B breaches Clause 8.1, Clause 8.2 or Clause 8.5, or violates Clause 8.3, Clause 8.4, Clause 8.6, Clause 8.7, Clause 8.8 or Clause 8.9, and fails to immediately correct at the requirement of Party A;

10.1.8Any other circumstance occurs which may impair Party A's legal interest in Party A's opinion.

10.2 It will be deemed that an event of breach is constituted if any of the following circumstances occurs to the guarantor which, in Party A's opinion, may affect the guarantor's capacity for guarantee, and the guarantor or Party B fails to cooperate with Party A in its requirement for the guarantor to eliminate adverse effects arising therefrom or requirement for Party B to add or replace the conditions of guarantee:

10.2.1Any circumstance similar to any one of such circumstance as set forth in Clause 6.2.6 occurs;

10.2.2When issuing the standby letter of credit / irrevocable letter of guarantee, the guarantor conceals its actual capacity for assuming the liabilities of guarantee or is not authorized by its board of directors or any other competent organ;

10.2.3 The guarantor fails to on time handle the procedures for the annual inspection of its registration; or

10.2.4 The guarantor is indolent in managing or exercising the right of recourse for its maturity creditor's rights, or disposing of the current major properties without consideration or otherwise disposing of such properties in an inappropriate manner.

10.3 It will be deemed that an event of breach is constituted if any of the following circumstances occurs to the mortgagor (or pledger) which, in Party A's opinion, may result in the non-establishment of mortgage (or pledge) or deficiency in the value of the collateral (pledged properties), and the mortgagor (or pledger) or Party B fails to cooperate with Party A in its requirement for the mortgagor (or pledger) to eliminate adverse effects arising therefrom or requirement for Party B to add or replace the conditions of guarantee:

10.3.1 The mortgagor (or pledger) does not have the ownership of or the right to dispose of the collateral (or pledged properties), or there is any dispute in the title to the collateral (or pledged properties);

10.3.2 The collateral (or pledged properties) is leased out, seized, attached, or under surveillance, or there is any priority which is prior by law on the collateral (or pledged properties) (including but not limited to the priority of payment for construction works), and / or any of such circumstances is concealed;

10.3.3 The mortgagor transfers, leases out, remortgages or otherwise disposes of the collateral in an inappropriate manner without the written consent of Party A, or disposes of the collateral with the written consent of Party A but fails to pay off the debts owed by Party B to Party A with the proceeds from such disposal as per the requirement of Party A;

10.3.4 The mortgagor does not preserve, maintain or repair the collateral in an appropriate manner and therefore causes the obvious depreciation in the value of the collateral, or does not maintain the insurance covering the collateral during the term of mortgage as per the requirement of Party A.

10.4 Party A shall be entitled to respectively or concurrently take the following actions in case of any of the events of breach as listed in Clause 10.1, Clause 10.2 or Clause 10.3:

10.4.1 to reduce the credit line hereunder, or cease the use of the remaining credit line;

10.4.2 to recover in advance the principal of financing which has been provided within the credit line and the interest thereon and the relevant fees;

10.4.3 with respect to any draft, letter of credit, guarantee, delivery guarantee or etc. which has been accepted or issued by Party A during the term of credit, whether or not Party A has made advances, to require Party B to increase the amount of security deposit, or to transfer the deposit in other account opened by Party B with Party A into its account of security deposit as the security deposit for paying off the advances made by Party A thereafter hereunder, or to submit the relevant sum to a third party as the security deposit for the advances made by Party A for the account of Party B thereafter;

10.4.4 with respect to the creditor's rights to unpaid receivables assigned to Party A by Party B under the export factoring, to require Party B to promptly perform its obligation to repurchase; with respect to the creditor's rights to receivables of Party B assigned to Party A under the import factoring, to promptly claim against Party B for recourse;

10.4.5 to directly deduct deposits in the clearance account and / or other account of Party B for the purpose to pay off all debts of Party B hereunder and under each Specific Contract;

10.4.6 to claim for recourse pursuant to Clause 13 hereof.

Clause 11 Repayment

Party B shall repay the principal amounting to US Dollars 275 million by the following installments after the loan is made to the account of Party B: US Dollars 10 million in the first quarter, US Dollars 70 million in the second quarter, US Dollars 87.5 million in the third quarter, and US Dollars 10750 at the final expiration of the loan.

The date and amount of repayment for each specific installment shall be subject to the contents of the applicable *Application for Drawing* to be accepted by Party A.

If intending to apply for prepayment in lieu of the aforesaid schedule of repayment, Party B shall submit a written application to Party A seven business days prior to the planned prepayment date and pay the liquidated damages to Party A for such prepayment. The amount of liquidated damages for prepayment = the amount of prepayment * the percentage of liquidated damages (0%). After Party A reviews and agrees on the application of Party B for prepayment, Party B shall fully pay Party A the liquidated damages for prepayment within the time limit required by Party A, otherwise Party A shall still be entitled to reject the application of Party B for prepayment. Party A shall have the right, but have no obligation to appropriately reduce the amount of liquidated damages for prepayment to be paid by Party B at its sole discretion based on such factors as the remaining term of loan of Party B when Party B makes the prepayment.

Clause 12 Miscellaneous

- 12.1 No tolerance, grace or delay of Party A in exercising the interests or rights which it shall enjoy hereunder for any breach or delay of Party B during the term hereof shall impair, affect or limit any interest or right which Party A shall enjoy as the creditor under the applicable law and hereunder, or be deemed as Party A's permission or acknowledgment of any breach hereof, or be deemed as Party A's waiver of the right to take any action for any current or future breach.
- 12.2 Party B shall still be obligated to pay off all debts owed to Party A hereunder, should this Agreement or any part hereof become invalid at law due to any reason. In this case, Party A shall be entitled to terminate the performance of this Agreement and may promptly claim against Party B for recovering all debts owed by Party B hereunder.
- 12.3 The notices and requirements of Party A and Party B in connection hereof shall be sent in writing.

Contact address of Party A: 19/F, China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen

Contact address of Party B: Building 105, Yard Jia 10, Jiuxianqiao North Road, Chaoyang District, Beijing

A notice shall be deemed to have been served upon the signature and receipt of the addressee in case of personal delivery (if rejected by the addressee, on the date of rejection); upon the expiration of seven days after posting in case of delivery by a postal letter; and upon the receipt of facsimile by the addressee's facsimile system in case of delivery via facsimile.

Either party shall timely notify the other party of any change in its contact address, otherwise shall assume the loss which may arise therefrom.

12.4 The parties agree that each application for business under trade financing will be affixed to the reserved seal of Party B as per the specimen seal reserved on the *Card of Seals* provided by Party B to Party A, and each party acknowledges the validity of such seal. Party B may deliver each application for business to Party A in the manner of facsimile plus payment password in accordance with the *Letter of Undertaking for Authorizations and Indemnity regarding "Certified Facsimile Instructions"* executed with Party A. Each party confirms that an application for business delivered in the manner of facsimile plus payment password shall have such legal effect as same to an application for business delivered in writing.

12.5 Any written supplemental agreement on matters not defined herein or amendment hereto agreed by Party A and Party B and each Specific Contract hereunder shall be attached hereto and constitute an integral part hereof.

Clause 13 Applicable Law and Dispute Settlement

13.1 The formation and interpretation hereof and the settlement of disputes arising herefrom shall be governed by the law of the People's Republic of China (for the purpose hereof, the law of the People's Republic of China excludes the laws and regulations of the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan Province; the same below), and the rights and interests of Party A and Party B shall be protected by the law of the People's Republic of China.

13.2 Any dispute arising during the performance hereof between Party A and Party B shall be settled by the consultation between the parties. If failing, either party may (make a choice in the following three options by marking with “√”):

13.2.1 refer to (if choosing this option, make a choice in the following two options by marking with “√”)

- China International Economic and Trade Arbitration Commission
- China International Economic and Trade Arbitration Commission, _____ Branch
for arbitration in accordance with the arbitration rules for financial disputes.

13.2.2 request for arbitration to _____ / _____ Arbitration Commission;

13.2.3 bring a lawsuit to the people's court in the jurisdiction where Party A is located.

13.2 After the notarization of this Agreement and each Specific Contract is conducted by Party A and Party B which grants enforceability hereto and thereto, Party A may directly request the people's court of competent jurisdiction for compulsory enforcement for the purpose to recover the debts owed by Party B hereunder and thereunder.

Clause 14 Effectiveness

This Agreement shall become effective upon being affixed to by Party A of its special seal for contractual uses of and signed by the signatory of Party B authorized by the resolution of its board of director, and automatically terminate on the date when all debts owed by Party B to Party A hereunder and all other relevant fees are paid off.

Clause 15 Supplementary Provisions

This Agreement is made in duplicate of the same legal effect, Party A, Party B and _____, _____ respectively holding one.

Special Notice:

All terms hereof have been fully negotiated by the parties. Party A has remind Party B of paying special attention to the terms which disclaim or limit Party A's liabilities, or under which Party A unilaterally have certain rights, or which aggravate Party B's liabilities or limit Party B's rights, and of fully and accurately understanding such terms. Party A has made relevant explanation on such terms at the requirement of Party B. The parties hereto have the same understanding on the terms hereof.

(No text below)

Party A (seal): China Merchants Bank Co., Ltd.

/s/ China Merchants Bank Co., Ltd.
(seal)

/s/ Authorized signatory

Party B: 58.com Inc.

Authorized Signatory (signature)

/s/ Jinbo Yao

Signed on: March 30th, 2016

Signed in: Shenzhen

EXECUTION VERSION

SHARE SUBSCRIPTION AGREEMENT

by and among

58.COM INC.

MAGIC HEART INC.

ZHUAN SPIRIT HOLDINGS LIMITED

and

TENCENT MOBILITY LIMITED

Dated as of April 18, 2017

TABLE OF CONTENTS

	Page
ARTICLE I INTERPRETATION	4
Section 1.1 Definitions	4
Section 1.2 Interpretation	13
ARTICLE II SUBSCRIPTION AND SALE	15
Section 2.1 Issuance of the Subscription Shares	15
Section 2.2 Closing	15
Section 2.3 Payment and Delivery	15
Section 2.4 Conditions	17
ARTICLE III REPRESENTATIONS AND WARRANTIES	20
Section 3.1 Representations and Warranties of the Key Holder	20
Section 3.2 Representations and Warranties of the Company	25
Section 3.3 Representations and Warranties of Tencent	26
ARTICLE IV COVENANTS	34
Section 4.1 Conduct of Business of the Company	34
Section 4.2 Operation of the Principal Business	35
Section 4.3 Regulatory Compliance	36
Section 4.4 Negative Covenants	36
Section 4.5 Affirmative Covenants	36
Section 4.8 Restructuring	38
Section 4.9 Non-Assignable Assets	40
Section 4.10 Non-competition	41
Section 4.11 Most Favored Nation	41
Section 4.12 Further Assurances	41
Section 4.13 Use of Proceeds	41
Section 4.14 Cooperation	41
Section 4.15 Conduct of Other Business	41
Section 4.16 Permits	42
Section 4.17 Access	42
Section 4.18 ESOP	42
ARTICLE V INDEMNIFICATION	42
Section 5.1 Survival of the Representations and Warranties	42
Section 5.2 Indemnification	43
Section 5.3 Third Party Claims	43

Section 5.4	Other Claims	44
Section 5.5	Limitations on Liability	45
ARTICLE VI MISCELLANEOUS		45
Section 6.1	Disclosure Schedule References	45
Section 6.2	Governing Law; Arbitration	46
Section 6.3	Amendment	46
Section 6.4	Binding Effect	46
Section 6.5	Assignment	46
Section 6.6	Notices	46
Section 6.7	Entire Agreement	48
Section 6.8	Severability	48
Section 6.9	Fees and Expenses	48
Section 6.10	Confidentiality	49
Section 6.11	Specific Performance	49
Section 6.12	Termination	49
Section 6.13	Joint and Several Liability	50
Section 6.14	Third Party Rights	50
Section 6.15	Headings	50
Section 6.16	Execution in Counterparts	51
Section 6.17	Waiver	51

Schedules

Schedule 1	Covenant pursuant to Section 4.10(b)
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Exhibits

Exhibit A	Form of Articles
Exhibit B	Form of Shareholders Agreement
Exhibit C	Form of Key Holder Business Cooperation Agreement
Exhibit D	Form of Tencent Business Cooperation Agreement
Exhibit E	Form of Framework Restructuring Agreement
Exhibit F	Capitalization Table
Exhibit G	Legal Opinion Items

SHARE SUBSCRIPTION AGREEMENT

This Share Subscription Agreement (this “Agreement”) is made as of April 18, 2017, by and between 58.com Inc., a company incorporated in the Cayman Islands (the “Key Holder”), Magic Heart Inc., a company incorporated in the British Virgin Islands and wholly owned by the Key Holder, Zhuan Spirit Holdings Limited, a company incorporated in the Cayman Islands (the “Company”) and Tencent Mobility Limited, a company incorporated in Hong Kong (“Tencent”). The Key Holder, Magic Heart Inc., the Company and Tencent are each referred to herein as a “Party,” and collectively as the “Parties.”

WITNESSETH:

WHEREAS, the Key Holder desires to contribute to the Group (a) the Principal Business pursuant to the Framework Restructuring Agreement in exchange for 429,999,990 Ordinary Shares to be issued to Magic Heart Inc. (the “Key Holder Subscription Ordinary Shares”) representing 43.0% of the issued share capital of the Company on a fully diluted basis immediately following the Closing and (b) the Key Holder Business Cooperation Agreement in exchange for 250,000,000 Series A Preferred Shares to be issued to Magic Heart Inc. (the “Key Holder Subscription Series A Shares”), and together with the Key Holder Subscription Ordinary Shares, the “Key Holder Subscription Shares”) representing 25.0% of the issued share capital of the Company on a fully diluted basis immediately following the Closing;

WHEREAS, the Company desires to establish the ESOP and reserve 70,000,000 Ordinary Shares representing 7.0% of the issued share capital of the Company on a fully diluted basis immediately following the Closing for issuance thereunder; and

WHEREAS, the Company and Tencent desire for the Company and Affiliates of Tencent to enter into the Tencent Business Cooperation Agreement on the Closing Date; and

WHEREAS, subject to the terms and conditions herein, Tencent desires to subscribe for, and the Company desires to issue, 250,000,000 Series A Preferred Shares (the “Tencent Subscription Shares”) representing 25.0% of the issued share capital of the Company on a fully diluted basis immediately following the Closing (and after issuance of Shares to Magic Heart Inc. in accordance with this Agreement).

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the Parties agree as follows:

ARTICLE I INTERPRETATION

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

“Actions” shall mean actions, causes of action (whether at law or in equity), claims, demands, investigations, examinations, indictments, litigations, arbitrations, suits or other criminal, civil or administrative or investigative or similar proceedings (whether public or private).

“Affiliate” of a Person (the “Subject Person”) shall mean (a) in the case of a Person other than a natural person, any other Person that directly or indirectly Controls, is Controlled by or is under common Control with the Subject Person and (b) in the case of a natural person, any other Person that is directly or indirectly Controlled by the Subject Person or is a Relative of the Subject Person; provided, that none of the Group Companies, the Key Holder and Key Holder Parties shall be deemed to be an Affiliate of Tencent, and none of Tencent, Tencent Holdings Limited and their Affiliates shall be deemed to be an Affiliate of any of the Group Companies, Key Holder and the Key Holder Parties.

“Agreement” shall have the meaning set forth in the Preamble.

“Assets Sheet” shall mean a list of the Contributed Assets (other than the Non-Transferred Contributed Assets), together with their respective values as of the Closing Date.

“Articles” shall mean the amended and restated memorandum and articles of association of the Company, in the form attached hereto as Exhibit A.

“Authorization” shall have the meaning set forth in Section 3.1(d).

“Board” shall mean the board of directors of the Company.

“Business Day” shall mean any day other than Saturday, Sunday or other day on which commercial banks located in the Cayman Islands, New York, the PRC or Hong Kong are authorized or required by law or executive order to be closed and on which no tropical cyclone warning No. 8 or above and no “black” rainstorm warning signal is hoisted in Hong Kong at any time between 8:00 a.m. and 6:00 p.m. Hong Kong time.

“Capitalization Table” shall mean the capitalization table setting out the capitalization of each of the Group Companies, as attached hereto as Exhibit F.

“Claim Notice” shall have the meaning set forth in Section 5.3(a).

“Closing” shall have the meaning set forth in Section 2.2.

“Closing Balance Sheet” shall have the meaning set forth in Section 2.4(a)(x).

“Closing Date” shall have the meaning set forth in Section 2.2.

“Company” shall have the meaning set forth in the Preamble.

“Competitive Business” shall mean any business which is in direct competition with the Principal Business.

“Competitor” shall mean any Person whose primary business is in direct competition with the Principal Business, which shall include Alibaba Group Holding Limited, or any Affiliate of such Person.

“Confidential Information” shall have the meaning set forth in Section 6.10(a).

“Contemplated Transactions” shall mean the transactions contemplated by the Transaction Documents.

“Contract” shall mean, as to any Person, a contract, agreement, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral.

“Contributed Assets” shall mean all assets, Intellectual Property, Information Technology, employees and Contracts set out in Framework Restructuring Agreement and other Restructuring Documents to be transferred or otherwise contributed by the relevant Key Holder Parties to the Group in accordance with Restructuring Documents, including the Transferred Contracts, the Transferred Employees, the Transferred IP and Transferred Inventories and any other assets that are currently used for, and are necessary and adequate to carry out, the operation of the Principal Business as currently operated.

“Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management of a Person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor or agent or otherwise. For purposes of this definition, a Person shall be deemed to Control another Person if such first Person, directly or indirectly, owns or holds more than 50% of the voting Equity Securities in such other Person. The terms “Controlled” and “Controls” shall have meanings correlative to the foregoing.

“Control Documents” shall mean, collectively, the agreements made from time to time, which enable the Company to exclusively Control, and consolidate in its financial statements the results of, the VIE Entity, in each case in form and substance satisfactory to Tencent.

“Director’s Indemnification Agreements” shall mean the respective indemnification agreements to be entered into by and between the Company and each director appointed to the Board, in form and substance reasonably satisfactory to Tencent.

“Disclosure Schedule” shall mean the disclosure schedule dated the date hereof in respect of this Agreement which has been provided by the Key Holder and the Company to Tencent.

“Encumbrance” shall mean (a) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any Person, including any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable Law, (b) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, negotiation or refusal or transfer restriction in favor of any Person and (c) any adverse claim as to title, possession or use.

“Equity Securities” shall mean, with respect to any Person, such Person’s capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (including, in the case of the Company, Ordinary Shares) or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such Person).

“ESOP” shall mean the employee equity incentive plan to be adopted by the Company in form and substance reasonably satisfactory to Tencent.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“FCPA” shall have the meaning set forth in Section 3.1(j)(ii).

“Framework Restructuring Agreement” shall mean the framework restructuring agreement to be entered into by and among certain Key Holder Parties, certain Group Companies and certain other parties thereto on or prior to the Closing, in the form attached hereto as Exhibit E.

On a “fully diluted basis” shall mean, for the purpose of calculating share numbers, that the calculation is to be made assuming that all outstanding options, warrants and other Equity Securities directly or indirectly convertible into or exercisable or exchangeable for Ordinary Shares (whether or not by their terms then currently convertible, exercisable or exchangeable) and Equity Securities which have been reserved for issuance pursuant to the ESOP have been so converted, exercised, exchanged or issued.

“Fundamental Representations” shall mean the representations and warranties made by the Key Holder or the Company (as the case may be) to Tencent contained in Section 3.1(a), Section 3.1(b), Section 3.1(i), Section 3.2(a), Section 3.2(b), Section 3.2(c), Section 3.3(a), Section 3.3(b), Section 3.3(c), Section 3.3(e), Section 3.3(f), Section 3.3(l), Section 3.3(m) and Section 3.3(q).

“Government Official” shall have the meaning set forth in Section 3.1(j)(i).

“Governmental Authority” shall mean any government or political subdivision thereof, whether on a federal, central, state, provincial, municipal or local level and whether executive, legislative or judicial in nature, including any agency, authority, board, bureau, commission, court, department or other instrumentality thereof and any governing body of any securities exchange.

“Group” or “Group Companies” shall mean, collectively, the Company and its Subsidiaries (including, for the avoidance of doubt, the VIE Entity), and a “Group Company” shall mean any of them.

“HKIAC” shall have the meaning set forth in Section 6.2.

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“ICP Permit” shall have the meaning set forth in Section 2.4(a)(vi).

“Indebtedness” shall mean, as of any time with respect to any Person, without duplication, (a) all Liabilities for borrowed money, whether current or funded, secured or unsecured, all obligations evidenced by bonds, debentures, notes or similar instruments, (b) all Liabilities for the deferred purchase price of property, other than trade payables in the ordinary course outstanding for 90 days or less, (c) all Liabilities in respect of any lease of, or other arrangement conveying the right to use, real or personal property, or a combination thereof, which Liabilities are required to be classified and accounted for under US GAAP as capital leases, (d) all Liabilities for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction securing obligations of a type described in clauses (a), (b) or (c) above to the extent of the obligation secured, and all Liabilities as obligor, guarantor, or otherwise, to the extent of the obligation secured, (e) all guarantees of obligations of any other Person with respect to any of the foregoing and (f) any accrued and unpaid interest on any of the foregoing.

“Indemnified Parties” shall have the meaning set forth in Section 5.2(a).

“Indemnifying Party” shall have the meaning set forth in Section 5.2(a).

“Indemnity Notice” shall have the meaning set forth in Section 5.4.

“Information Technology” shall mean all computer systems, telecommunication systems, software (and the tangible media on which it is stored) and hardware including source and object code, cabling, routers, switched, racks, servers, PCs, laptops, terminals, scanners, printers and all associated peripherals, excluding in all cases Intellectual Property.

“Intellectual Property” shall mean any and all (a) patents (including all reissues, divisionals, provisionals, continuations, continuations in part, re-examinations, renewals and extensions thereof), patent applications, and other patent rights, (b) trademarks, service marks, tradenames, brand names, logos, slogans, trade dress, design rights, and other similar designations of source or origin, together with all goodwill associated with any of the foregoing and applications, registrations and renewals in connection therewith, (c) copyrights, mask works, and copyrightable works, and all applications, registrations for and renewals in connection therewith, (d) internet domain names, web addresses, web pages, websites and related content, accounts with Twitter, Facebook, Instagram, and other social media companies and the content found thereon and related thereto, and uniform resource locators, (e) proprietary computer software, including source code, object code and supporting documentation for such computer software, (f) trade secrets and proprietary information, including confidential business information, technical data, customer lists, data collections, methods and inventions (whether or not patentable and where or not reduced to practice), (g) copies and tangible embodiments of any of the foregoing and (h) all other intellectual property, whether or not registrable, in each case, under any Law or statutory provision or common law doctrine in any country.

“Key Holder” shall have the meaning set forth in the Preamble.

“Key Holder Business Cooperation Agreement” shall mean the business cooperation agreement to be entered into by and among certain Group Companies and the Key Holder and/or its Affiliates, in the form attached hereto as Exhibit C.

“Key Holder Nominee” shall mean 北京云企互联投资有限公司, a company incorporated in the PRC.

“Key Holder Ordinary Share Purchase Price” shall have the meaning set forth in Section 2.1(b).

“Key Holder Parties” shall mean the Key Holder and each of its Subsidiaries (including any variable interest entities Controlled by such Subsidiaries) which operates the Principal Business or will contribute any part of the Principal Business to the Group.

“Key Holder Purchase Price” shall have the meaning set forth in Section 2.1(b).

“Key Holder Series A Share Purchase Price” shall have the meaning set forth in Section 2.1(b).

“Key Holder Share Subscription” shall have the meaning set forth in Section 2.1(b).

“Key Holder Subscription Ordinary Shares” shall have the meaning set forth in the Recitals.

“Key Holder Subscription Series A Shares” shall have the meaning set forth in the Recitals.

“Key Holder Subscription Shares” shall have the meaning set forth in the Recitals.

“Knowledge” of any Person shall mean the actual knowledge of such Person (and in the case of any Person which is not an individual, such Person’s directors or officers) and that knowledge which should have been acquired by such Person or its directors or officers after making such due inquiry and exercising such due diligence as a prudent business person would have made or exercised in the management of his business affairs.

“Law” or “Laws” shall mean all applicable laws, regulations, rules and Orders of any Governmental Authority, securities exchange or other self-regulating body, including any common or customary law, constitution, code, ordinance, statute or other legislative measure and any regulation, rule, treaty, order, decree or judgment. The term “lawful” shall be construed accordingly.

“Liabilities” shall mean any and all debts, liabilities, commitments and obligations of any kind, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or not accrued, asserted or not asserted, known or unknown, determined, determinable or otherwise, whenever or however arising (including whether arising out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by US GAAP or PRC GAAP to be reflected in financial statements or disclosed in the notes thereto.

“Losses” shall have the meaning set forth in Section 5.2(a).

“Material Adverse Effect” shall mean any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on (a) the condition, assets, liabilities, results of operations or business of the Principal Business and the Group taken as a whole or (b) the ability of the Company, the Key Holder or their respective Affiliates to consummate the Contemplated Transactions; provided, that in determining whether a Material Adverse Effect has occurred, there shall be excluded any effect on the Principal Business or the Group to the extent relating to or arising in connection with (i) any action required to be taken pursuant to the terms and conditions of this Agreement or any other Transaction Documents or taken at the written direction of Tencent, (ii) changes affecting the industry in which the Principal Business or the Group operates or the economy or financial, credit or securities markets or political conditions generally in the PRC; provided, that in each case such changes do not have a unique or disproportionate impact on the Principal Business or the Group; (iii) effects resulting from any breach of this Agreement or any other Transaction Documents by Tencent or its Affiliates; or (iv) the announcement or consummation of the Contemplated Transactions.

“Non-Transferred Contributed Assets” shall mean services to be provided by the relevant Key Holder Parties to the Group Companies pursuant to clause 8.4(6) and clause 8.4(7) of the Framework Restructuring Agreement.

“Order” shall mean any order, ruling, decision, verdict, decree, writ, subpoena, mandate, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

“Ordinary Shares” shall mean the ordinary shares of par value US\$0.00001 each in the share capital of the Company.

“Parties” shall have the meaning set forth in the Preamble.

“Party” shall have the meaning set forth in the Preamble.

“Person” shall mean any natural person, firm, partnership, association, corporation, company, trust, public body or government or other entity of any kind or nature.

“PRC” shall mean the People’s Republic of China, but for purposes of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.

“PRC GAAP” means the Generally Accepted Accounting Principles of the PRC.

“Principal Business” shall have the meaning given to “标的业务” in the Framework Restructuring Agreement.

“Relative” of a natural person means such Person’s spouse, parents, children and siblings, whether by blood, marriage or adoption.

“Restructuring” means the contribution of the Principal Business to the Group by the relevant Key Holder Parties pursuant to the Framework Restructuring Agreement and other transactions contemplated by the Restructuring Documents.

“Restructuring Representations” shall mean the representations and warranties made by the Key Holder or the Company (as the case may be) to Tencent contained in Section 3.1(f), Section 3.1(g), Section 3.1(h), Section 3.3(i) and Section 3.3(l), and all of the representations and warranties made by each of the Key Holder Parties in the Framework Restructuring Agreement.

“Restructuring Completion Date” shall mean the date on which the Restructuring is completed in accordance with the Restructuring Documents (other than those obligations that are ongoing and do not have a specific completion date under the Restructuring Documents).

“Restructuring Documents” shall mean the Framework Restructuring Agreement and any other agreements, documents or certificates delivered pursuant thereto or pursuant to the Restructuring.

“SEC” shall mean the Securities and Exchange Commission of the United States of America or any other federal agency at the time administering the Securities Act.

“Securities Act” shall mean the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time.

“Securities Laws” shall mean the Securities Act, the Exchange Act, the listing rules of or any listing agreement with the applicable stock exchange and any other applicable law regulating securities or takeover matters.

“Series A Preferred Shares” shall mean the Series A preferred shares of par value US\$0.00001 each in the share capital of the Company.

“Shareholders Agreement” shall mean the shareholders agreement to be entered into by and among Magic Heart Inc., Tencent and the Company, in the form attached hereto as Exhibit B.

“Subsidiary” shall mean, with respect to any Person, any corporation, partnership, limited liability company or other organization, whether incorporated or unincorporated, which is Controlled by such Person. For the avoidance of doubt, a “variable interest entity” Controlled by a Person shall be deemed to be a Subsidiary of such Person.

“Tax” shall mean any tax, duty, deduction, withholding, impost, levy, fee, assessment or charge of any nature whatsoever (including income, franchise, value added, sales, use, excise, stamp, customs, documentary, transfer, withholding, property, capital, employment, payroll, ad valorem, net worth or gross receipts taxes and any social security, unemployment or other mandatory contributions) imposed, levied, collected, withheld or assessed by any local, municipal, regional, urban, governmental, state, national or other Governmental Authority and any interest, addition to tax, penalty, surcharge or fine in connection therewith, including any obligations to indemnify or otherwise assume or succeed to the liability of any other Person with respect to any of the foregoing items.

“Tencent” shall have the meaning set forth in the Preamble.

“Tencent Business Cooperation Agreement” shall mean the business cooperation agreement to be entered into by and among certain Group Companies and certain Affiliates of Tencent, in the form attached hereto as Exhibit D.

“Tencent Nominee” shall mean 林芝利创信息技术有限公司, a company incorporated in the PRC, or such other Person designated by Tencent.

“Tencent Purchase Price” shall have the meaning set forth in Section 2.1(a).

“Tencent Share Subscription” shall have the meaning set forth in Section 2.1(a).

“Tencent Subscription Shares” shall have the meaning set forth in the Recitals.

“Third Party Claim” shall have the meaning set forth in Section 5.3(a).

“Transaction Documents” shall mean, collectively, this Agreement, the Articles, the Shareholders Agreement, the Key Holder Business Cooperation Agreement, the Tencent Business Cooperation Agreement, the Director’s Indemnification Agreements, the Restructuring Documents, the Control Documents and any other agreements, documents or certificates delivered pursuant hereto or thereto.

“Transferred Assets” shall mean all assets, Intellectual Property, Information Technology, employees and Contracts set out in Framework Restructuring Agreement and other Restructuring Documents to be transferred by the relevant Key Holder Parties to the Group in accordance with Restructuring Documents, including the Transferred Contracts, the Transferred Employees, the Transferred Tangible Assets, Transferred Database, the Transferred IP and Transferred Inventories.

“Transferred Contracts” shall mean the business Contracts set out in Appendix I of the Framework Restructuring Agreement.

“Transferred Database” shall mean any and all databases, compilations and other collections of data and information in connection with the operation of the e-commerce marketplace platform and the mobile applications as set out in Appendix V and Appendix VI of the Framework Restructuring Agreement] (the “Marketplace”), including (a) the user login, password, personal data, contact, preferences and other account details of each customer, merchant, advertiser and other user of the Marketplace and (b) transactions, click-streams, browsing and other analytic data undertaken or otherwise generated on the Marketplace.

“Transferred Employees” shall mean the employees set out in Appendix IX of the Framework Restructuring Agreement.

“Transferred IP” shall mean the Intellectual Property set out in Appendix II, Appendix III, Appendix IV of the Framework Restructuring Agreement and the Transferred Database.

“Transferred Inventories” shall mean the inventories and stocks set out in Appendix VIII of the Framework Restructuring Agreement.

“Transferred Tangible Assets” shall mean the devices, equipment and any tangible assets set out in Appendix VII of the Framework Restructuring Agreement.

“US GAAP” shall mean the Generally Accepted Accounting Principles of the United States of America.

“VIE Entity” shall mean “北京转转精神科技有限责任公司”, the PRC domestic limited liability company which shall operate the Principal Business.

“VIE Purchase Price” shall mean RMB3,333,333, the amount to be contributed by the Tencent Nominee to the registered capital of the VIE Entity in exchange for 25.0% of the equity interests in the VIE Entity.

“WFOE” shall mean a wholly foreign-owned entity to be established in PRC, which is indirectly wholly-owned by the Company.

Section 1.2 Interpretation. Unless the express context otherwise requires:

(a) the words “hereof,” “hereby,” “hereto,” “herein,” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

- (c) any references herein to “US\$” are to United States Dollars and any references herein to RMB are to PRC Renminbi;
- (d) any references herein to a specific Section, Schedule or Exhibit or to the Recitals or Preamble shall refer, respectively, to Sections, Schedules, Exhibits, Recitals or Preamble of this Agreement, unless otherwise specified;
- (e) wherever the word “include,” “includes” or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation,”
- (f) references herein to any gender shall include each other gender as the context requires;
- (g) the word “or” shall not be exclusive;
- (h) references to “written” or “in writing” include in electronic form;
- (i) the Parties have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties and no presumption of burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any provision in this Agreement;
- (j) reference to any Person includes such Person’s successors and permitted assigns;
- (k) any reference to “days” shall mean calendar days unless Business Days are expressly specified;
- (l) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded and if the last day of such period is not a Business Day, the period shall end on the next succeeding Business Day;
- (m) any reference to any Law shall be deemed to refer to the applicable Law in effect as of the date hereof (unless the applicable Law addressed matters as of an earlier date, in which case, applicable Law shall be deemed to mean the applicable Law in effect as of that date);
- (n) any reference in this Agreement to any agreement or instrument (other than the Disclosure Schedule) is a reference to that agreement or instrument as amended, novated or supplemented; and
- (o) if any amount in a certain currency is to be translated into an equivalent amount in another currency, such translation shall be done at the relevant daily spot rate of exchange reported by the People’s Bank of China which appears on the Reuters Screen “SAEC” Page at the end of the day on the second Business Day immediately prior to the Closing Date.

ARTICLE II SUBSCRIPTION AND SALE

Section 2.1 Issuance of the Subscription Shares.

(a) Issuance of the Tencent Subscription Shares. Upon the terms and subject to the conditions of this Agreement, at the Closing, Tencent agrees to subscribe for, and the Company agrees to issue and deliver to Tencent, the Tencent Subscription Shares, free and clear of all Encumbrances, for an aggregate purchase price (the “Tencent Purchase Price”) equal to US\$250,000,000 constituting (i) cash consideration which is equal to US\$200,000,000 payable in accordance with Section 2.3(a)(i) and (ii) the Tencent Business Cooperation Agreement (the “Tencent Share Subscription”).

(b) Issuance of the Key Holder Subscription Shares. Upon the terms and subject to the conditions of this Agreement, at the Closing, Magic Heart Inc. agrees to subscribe for, and the Company agrees to issue and deliver to Magic Heart Inc., (i) the Key Holder Subscription Ordinary Shares, free and clear of all Encumbrances, for an aggregate purchase price (the “Key Holder Ordinary Share Purchase Price”) equal to US\$500,000,000 constituting the Principal Business to be contributed pursuant to the Framework Restructuring Agreement and (ii) the Key Holder Subscription Series A Shares, free and clear of all Encumbrances, for an aggregate purchase price (the “Key Holder Series A Share Purchase Price”), and together with the Key Holder Ordinary Share Purchase Price, the “Key Holder Purchase Price”) equal to US\$250,000,000 constituting the Key Holder Business Cooperation Agreement ((i) and (ii) together, the “Key Holder Share Subscription”).

Section 2.2 Closing. The closing of each of the Tencent Share Subscription and the Key Holder Share Subscription (collectively, the “Closing”) shall take place electronically on the third Business Day following the satisfaction or waiver of the conditions set forth in Section 2.4(a) (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), or at such other time and place as Tencent and the Key Holder may agree in writing. The “Closing Date” shall be the date upon which the Closing occurs.

Section 2.3 Payment and Delivery.

(a) Payment and Delivery for the Tencent Share Subscription. At the Closing:

(i) against compliance by the Key Holder and the Company with Section 2.3(a)(ii) and Section 2.3(b), Tencent shall:

(1) pay and deliver, or cause to be paid and delivered, to the Company the Tencent Purchase Price minus the sum of (A) US\$50,000,000 (being the value of the Tencent Business Cooperation Agreement) and (B) the US\$ equivalent of the VIE Purchase Price, in US\$ by wire transfer of immediately available funds, to such bank account designated in writing by the Company to Tencent at least seven Business Days prior to the Closing, such payment obligation to be satisfied by delivery of evidence of an irrevocable payment instruction by Tencent to the Company on the Closing Date; and

(2) deliver to the Company a copy of the Tencent Business Cooperation Agreement, duly executed by the relevant Affiliates of Tencent; and

(ii) the Key Holder and the Company shall deliver to Tencent (1) a copy of the Tencent Business Cooperation Agreement, duly executed by all of the parties thereto other than Tencent or its Affiliates, (2) a scanned copy of a duly executed share certificate issued to Tencent in respect of the Tencent Subscription Shares (the original of which shall be delivered to Tencent within five (5) Business Days after the Closing), (3) a certified true copy of the register of members of the Company evidencing Tencent as the legal and beneficial holder of the Tencent Subscription Shares and (4) a certified true copy of the register of directors of the Company evidencing the appointment of the director nominated by Tencent as a director of the Board.

(b) Payment and Delivery for Key Holder Share Subscription.

(i) On or prior to the Closing, the Key Holder shall deliver to the Company a copy of the Framework Restructuring Agreement, duly executed by the relevant Key Holder Parties, and the Company shall deliver to the Key Holder a copy of the Framework Restructuring Agreement, duly executed by the relevant Group Companies.

(ii) At the Closing:

(1) the Key Holder shall deliver to the Company a copy of the Key Holder Business Cooperation Agreement, duly executed by the Key Holder and certain of its Affiliates; and

(2) the Company shall deliver to the Key Holder (A) a copy of the Key Holder Business Cooperation Agreement, duly executed by all of the parties thereto other than the Key Holder and its Affiliates, (B) scanned copies of duly executed share certificates issued to Magic Heart Inc. in respect of the Key Holder Subscription Shares (the original of which shall be delivered to the Key Holder within five (5) Business Days after the Closing), (C) a certified true copy of the register of members of the Company evidencing Magic Heart Inc. as the legal and beneficial holder of the Key Holder Subscription Shares and (D) a certified true copy of the register of directors of the Company evidencing the appointment of the directors nominated by Magic Heart Inc. as directors of the Board.

(c) Discharge of Payment Obligation. Completion by Tencent of its obligations under Section 2.3(a)(i) shall constitute full discharge of its obligations to pay the Tencent Purchase Price pursuant to Section 2.1(a). Completion by the Key Holder of its obligations under Section 2.3 (b)(i) and Section 2.3(b)(ii)(1) shall constitute full discharge of its obligations to pay the Key Holder Purchase Price pursuant to Section 2.1(b).

(d) Restrictive Legend. Each of the share certificates in respect of any of the Tencent Subscription Shares and the Key Holder Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE “ACT”) OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR (B) AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE APPLICABLE SHAREHOLDERS’ AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON REQUEST TO THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

Section 2.4 Conditions.

(a) Conditions to Tencent’s Obligations to Effect the Closing. The obligation of Tencent to consummate the transactions contemplated by Section 2.1, Section 2.2 and Section 2.3 is subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by Tencent in its sole discretion:

(i) The Fundamental Representations shall have been true, accurate and not misleading in all respects on and as of the date of this Agreement and on and as of the Closing Date with the same effect as if made on and as of the Closing Date (except for such Fundamental Representations that are made as of a specific date, which shall speak only as of such date), and all other representations and warranties of the Key Holder contained in Section 3.1 and all other representations and warranties of the Company contained in Section 3.3 shall have been true, accurate and not misleading in all respects (in the case of any such representation or warranty containing any materiality or Material Adverse Effect qualification) or in all material respects (in the case of any such representation or warranty without any materiality or Material Adverse Effect qualification) on and as of the date of this Agreement and on and as of the Closing Date with the same effect as if made on and as of the Closing Date (except for such representations and warranties that are made as of a specific date, which shall speak only as of such date).

(ii) The Key Holder and the Company shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement and the other Transaction Documents that are required to be performed or complied with on or before the Closing Date.

(iii) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have been instituted or threatened by any Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the consummation of the Contemplated Transactions.

(iv) The Key Holder and the Company shall have obtained any and all Authorizations necessary for the consummation by the Company of the issuance of the Tencent Subscription Shares to Tencent and the entry by each of the Key Holder and the Company into the Transaction Documents to which it is a party and the performance by it of its obligations contemplated thereby (other than those Authorizations to be obtained after the Closing pursuant to the Transaction Documents), all of which shall be in full force and effect.

(v) No event, development or state of circumstances shall have occurred or come to exist which, individually or in the aggregate, has had or would reasonably be expected to have or result in a Material Adverse Effect.

(vi) The portion of the Restructuring to be completed prior to the Closing pursuant to, and the obligations of each of the Key Holder Parties to be performed prior to the Closing under, the Restructuring Documents shall have been duly completed.

(vii) The Key Holder and the Company shall have delivered to Tencent a certificate, dated the Closing Date and signed by a duly authorized signatory of the Key Holder, certifying that the conditions set forth in Section 2.4(a)(i), Section 2.4(a)(ii), Section 2.4(a)(iii), Section 2.4(a)(iv), Section 2.4(a)(v), Section 2.4(a)(vi), Section 2.4(a)(viii), Section 2.4(a)(xv) and Section 2.4(a)(xvii) have been satisfied.

(viii) The VIE Entity shall have been duly established with the Key Holder Nominee holding 100% of the equity interests therein.

(ix) The Key Holder shall have delivered to Tencent the Assets Sheet.

(x) The Key Holder shall have delivered to Tencent an unaudited consolidated balance sheet of the Group as of the Closing Date (the “Closing Balance Sheet”), prepared in accordance with Section 4.6, and the liabilities of the Group as reflected in the Closing Balance Sheet (other than those liabilities arising from payments required to be paid by the Group Companies to the relevant Key Holder Parties specifically provided for under Restructuring Documents, which amount shall not exceed the amount of registered capital of the VIE Entity actually paid by the Key Holder) shall have been zero and the assets of the Group as reflected in the Closing Balance Sheet shall have reflected the value of the assets listed in the Assets Sheet (other than those to be contributed to the Group after the Closing under the Restructuring Documents or those of the Non-Transferred Contributed Assets).

(xi) The Key Holder and the Company shall have delivered to Tencent a duly executed copy of each of the Control Documents entered into among the VIE Entity, the Group Company incorporated in Hong Kong and certain other parties thereto, which shall remain in full force and effect.

(xii) The Company shall have provided Tencent with true, correct and complete copies of the constitutional documents of each Group Company (other than the Company).

(xiii) The Key Holder and the Company shall have delivered to Tencent a copy of each of the Shareholders Agreement and the Director's Indemnification Agreements, duly executed by all of the parties thereto other than Tencent and the director nominated by Tencent as a director of the Board.

(xiv) The Key Holder and the Company shall have delivered to Tencent legal opinions issued to Tencent by the Company's Cayman Islands and PRC legal counsels, dated the Closing Date, relating to the Contemplated Transactions and including those items set forth on Exhibit G.

(xv) The Articles shall have been duly adopted by the Company and shall remain in full force and effect.

(xvi) A director nominated by Tencent shall have been appointed to the Board.

(xvii) The Board and the shareholders of the Company shall have adopted resolutions approving immediately upon payment of the Tencent Purchase Price in accordance with this Agreement (1) the issue of the Tencent Subscription Shares to Tencent, (2) the updating of the register of members of the Company to reflect Tencent as the legal and beneficial owner of the Tencent Subscription Shares fully paid and non-assessable, (3) the issue of a share certificate in the name of Tencent in respect of the Tencent Subscription Shares and (4) the appointment of a director nominated by Tencent as a director of the Board.

(b) Conditions to the Key Holder's and the Company's Obligations to Effect the Closing. The obligation of the Key Holder and the Company to consummate the transactions contemplated by Section 2.1, Section 2.2 and Section 2.3 is subject to the satisfaction, on or before the Closing Date, of each of the following conditions, any of which may be waived in writing by the Key Holder or the Company in its sole discretion:

(i) The representations and warranties of Tencent contained in Section 3.4 shall have been true, accurate and not misleading in all respects (in the case of any such representation or warranty containing any materiality qualification) or in all material respects (in the case of any such representation or warranty without any materiality qualification) on and as of the date of this Agreement and on and as of the Closing Date with the same effect as if made on and as of the Closing Date (except for such representations and warranties that are made as of a specific date, which shall speak only as of such date).

(ii) Tencent shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement and the other Transaction Documents that are required to be performed or complied with on or before the Closing Date.

(iii) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have been instituted or threatened by any Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the consummation of the Contemplated Transactions.

(iv) Tencent shall have delivered to the Company a copy of each of the Shareholders Agreement and the Director's Indemnification Agreement in respect of the director nominated by Tencent as a director of the Board, duly executed by Tencent or such director (as the case may be).

ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.1 **Representations and Warranties of the Key Holder.** Subject to Section 6.1, the Key Holder hereby represents, warrants and undertakes to Tencent that the following representations and warranties are true, accurate and not misleading on and as of the date of this Agreement, shall be true, accurate and not misleading on and as of the Closing Date with the same effect as if made on and as of the Closing Date and, solely with respect to the Restructuring Representations contained in this Section 3.1, shall be true, accurate and not misleading on and as of the Restructuring Completion Date with the same effect as if made on and as of the Restructuring Completion Date:

(a) **Authority.** The Key Holder has full power and authority to enter into, execute and deliver each Transaction Document to which it is or will be a party and each other agreement, certificate, document and instrument to be executed and delivered by it pursuant to any Transaction Document and to perform its obligations thereunder. The execution and delivery by the Key Holder of each Transaction Document to which it is or will be a party and the performance by it of its obligations thereunder have been duly authorized by all requisite actions on its part. No vote or other approval of the stockholders of the Key Holder will be required for the consummation by the Key Holder of the Contemplated Transactions.

(b) **Valid Agreement.** Each Transaction Document to which the Key Holder is or will be a party has been or will be duly executed and delivered by the Key Holder and constitutes, or when executed and delivered in accordance herewith will constitute, the legal, valid and binding obligations of the Key Holder, enforceable against the Key Holder in accordance with its terms, except as limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(c) Non-contravention; Litigation. Neither the execution and delivery of each Transaction Document to which the Key Holder is or will be a party nor the consummation of any of the Contemplated Transactions will (i) violate any provision of the organizational documents of the Key Holder or violate any Law or Order to which the Key Holder is subject or (ii) conflict with, result in a material breach of, constitute a material default under, result in the acceleration of or creation of an Encumbrance under or create in any party the right to accelerate, terminate, modify or cancel any Contract to which the Key Holder is a party, by which the Key Holder is bound or to which any of the Key Holder's assets are subject. There is no action, suit or proceeding pending or, to the Knowledge of the Key Holder, threatened in writing against the Key Holder that questions the validity of this Agreement or the right of the Key Holder to enter into each Transaction Document to which it is or will be a party or to consummate the Contemplated Transactions.

(d) Consents and Approvals. None of the execution and delivery of each Transaction Document to which the Key Holder is or will be a party, the consummation of any of the Contemplated Transactions nor the performance by the Key Holder of each Transaction Document to which the Key Holder is or will be a party in accordance with its terms requires any consent, approval, order, license or authorization of, registration, certificate, declaration or filing with or notice to any Governmental Authority or other third party (each, an "Authorization"), except for those Authorizations expressly set forth in the Transaction Documents.

(e) Brokers. The Key Holder has not dealt with any broker, finder, commission agent, placement agent or arranger in connection with the issuance of the Tencent Subscription Shares, and none of the Group Companies is under any obligation to pay any broker's fee or commission in connection with the issuance of the Tencent Subscription Shares or the Contemplated Transactions.

(f) Principal Business.

(i) Ordinary Course. The Principal Business has been carried on in the ordinary course and so as to maintain the same as a going concern. There is no existing fact or circumstance that may have, individually or in the aggregate, a Material Adverse Effect on the Principal Business as currently conducted.

(ii) Transferred Contracts. Each Transferred Contract has been duly executed and is valid and binding on the parties thereto with full force and effect. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (1) no Transferred Contract will be terminated or adversely affected as a result of or in connection with the Contemplated Transactions and (2) none of the Key Holder Parties is in breach of or has Knowledge of the invalidity or grounds for rescission, avoidance or repudiation of, or any breach by any counterparty to, any Transferred Contract, nor has any Key Holder Party received notice of any intention to terminate any Transferred Contract or repudiate or disclaim any transaction pursuant thereto.

(iii) Transferred Employees.

(1) No Key Holder Party is a party to any collective bargaining agreement. There are no existing or, to the Knowledge of the Key Holder, threatened labor strikes, disputes, grievances, arbitrations, union organizing efforts, picketing, handbilling, organized work stoppages, organized work slowdowns or other labor trouble or disputes involving any Transferred Employees that are material to the Principal Business.

(2) Except as provided for or contemplated by the Transaction Documents and as expressly contemplated under the existing employment contracts with the Transferred Employees, (A) no Key Holder Party has any material obligation or liability whatsoever in respect of the employment of any Transferred Employee for any period prior to the Closing, including under any employee incentive plan, as a result of its execution of this Agreement or as a result of the completion of any of the Contemplated Transactions, and (B) each Group Company has complied in all material respects with all applicable national, provincial, local or municipal equal employment opportunity and other employment Laws.

(iv) Transferred IP.

(1) Each relevant Key Holder Party owns all necessary rights (including the rights of development, maintenance, licensing and sale), title and interest in and to, free and clear of all Encumbrances, or otherwise has all necessary and valid rights to use, all the Transferred IP, and no item of such Transferred IP is subject to any outstanding material injunction, judgment, order, decree, ruling or charge. Each material Transferred IP is valid, enforceable and subsisting, in full force and effect and has not been cancelled, expired or abandoned. The possession, development, use, marketing, licensing, sale or other exploitation by each Key Holder Party of any and all of the Transferred IP does not materially infringe, violate, misappropriate or otherwise interfere or conflict with any patent, trademark or other right, title or interest of any third party. There is no notice, claim or assertion (in writing or otherwise) that (1) any item of Transferred IP is invalid or any proprietary or other right therein is owned by a Person other than a Key Holder Party or (2) any Key Holder, any item of Transferred IP or the conduct of the Principal Business as currently conducted materially infringes, violates, misappropriates or otherwise interferes or conflicts with any right, title or interest of any third party, and no actual, pending or, to the Knowledge of the Key Holder, threatened claim, action, opposition, re-examination, interference or cancellation proceeding with respect thereto.

(2) Each Transferred IP is owned by or registered or applied for solely in the name of the relevant Key Holder Parties, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied, except as has not materially and adversely affected the rights, title and interest to the Transferred IP. No Key Holder Party or, to the Knowledge of the Key Holder, any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Transferred IP to be invalid, unenforceable or not subsisting, provided that it shall not constitute a breach of this clause if the relevant Key Holder Parties have applied for registration, but fail to obtain the registration for reasons not attributable to such Key Holder Parties. Except as would not reasonably be expected to have a Material Adverse Effect, (A) no Transferred IP is the subject of any Encumbrance, license or other contract granting rights therein to any other Person, (B) no Transferred IP is subject to any proceeding, Order, settlement agreement or stipulation that restricts in any manner the use, transfer or licensing thereof by any Key Holder Party or affects the validity, use or enforceability of such Transferred IP, (C) no Key Holder Party has transferred or assigned any Transferred IP, authorized the joint ownership of any Transferred IP or permitted the rights of any Key Holder Party in any Transferred IP to lapse or enter the public domain, and (D) to the Knowledge of the Key Holder, no third party is infringing or is likely to infringe any of the Transferred IP.

(3) Each of the Key Holder Parties has taken adequate security measures consistent with standard practices in the industry in which the Principal Business operates in material respects, to protect the secrecy, confidentiality and value of all of the trade secrets and any other non-public, proprietary information included in the Transferred IP.

(v) Transferred Inventories and Transferred Tangible Assets.

(1) Each Transferred Inventory and each Transferred Tangible Asset is in good working order in all material respects.

(2) One or more of the relevant Key Holder Parties are the owner or have direct control of Transferred Inventories and Transferred Tangible Assets.

(3) None of the Key Holder Parties has entered into or granted any Contract, option or right with or to any third party in relation to any of the Transferred Inventory or Transferred Tangible Asset which is still in force and effect, other than those in the ordinary course of business. The existence, use, distribution, operation, sale, transfer, modification or disposal of all or any part of any Transferred Inventory or Transferred Tangible Asset (including any ancillary part thereof) will not violate any applicable Law or infringe upon or misappropriate any third party's rights. There is no notice, claim or assertion (in writing or otherwise) of any such violation, infringement or misappropriation and no actual, pending or, to the Knowledge of the Key Holder, threatened claim, action, investigation or proceeding with respect thereto. To the Knowledge of the Key Holder, there has been no unauthorized use, infringement or misappropriation of any of the Transferred Inventories by any third party.

(vi) Legal Actions and Orders. There are no legal actions in progress, pending or, to the Knowledge of the Key Holder, threatened against any of the Key Holder Parties, the Principal Business or the Contributed Assets that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Neither the Principal Business nor the Contributed Assets are subject to any Orders that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(vii) Compliance with Legal Requirements. Each Key Holder Party has, in connection with the execution and delivery of each Transaction Document to which it is or will be a party and the consummation of the Contemplated Transactions, complied with, and the Principal Business and the Contributed Assets are in compliance with, all applicable Laws, other than such non-compliance as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(viii) **Contributed Assets.** The Contributed Assets comprise all of the assets, Intellectual Property, Information Technology, employees and Contracts that are currently used for, and are necessary, material and adequate to carry out, the operation of the Principal Business as currently operated. The Contributed Assets have been maintained and serviced in accordance with prudent practice in all material respects and in material compliance with all applicable Laws. As of the date hereof, the relevant Key Holder Parties have good and valid title to the Contributed Assets (other than employees and Contracts), free and clear of all Encumbrances, other than those Encumbrances as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(g) **Closing Balance Sheet; Accounts.** On the Closing Date, the Closing Balance Sheet will be prepared in accordance with US GAAP and will present fairly, in all material respects, the financial condition of the Group and the Principal Business as of the Closing Date. The Assets Sheet contains a full list of all assets necessary and material for the operation of the Principal Business as currently carried out (except for the Non-Transferred Contributed Assets).

(h) **Restructuring.**

(i) Each Restructuring Document to which any Key Holder Party is or will be a party will, upon execution, constitute the legal, valid and binding obligation of each party thereto, enforceable against such party in accordance with its terms, except as limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies. The execution, delivery and performance of, and compliance with, the Restructuring Documents by the parties thereto will not result in any violation, breach or default, with or without the passage of time or the giving of notice or both, of any organizational document of any Key Holder Party, any Contract to which any Key Holder Party is a party or by which any Key Holder is bound or any Law or Order to which any Key Holder Party is subject.

(ii) As of the Closing Date, the portion of the Restructuring to be completed prior to the Closing pursuant to the Restructuring Documents will be duly completed by the relevant parties in accordance with the Restructuring Documents. As of the Restructuring Completion Date, the Restructuring will be duly completed by the relevant parties pursuant to the Restructuring Documents (other than those that are specifically provided to be ongoing obligations and do not have a specific completion date under the Restructuring Documents).

(iii) Upon completion of the Restructuring on Restructuring Completion Date, the Group Company shall have good and valid title to the Transferred Asset (other than employees and Contracts) that are material to the Principal Business, free and clear of all Encumbrances.

(i) Tax Filings. Each Key Holder Party contributing any part of the Principal Business to the Group has filed or caused to be filed in a timely manner all applicable Tax returns required to be filed by it, all such Tax returns are true, correct and complete in all material respects, and each such Key Holder Party has paid, or provided adequate reserves, for all deficiencies or other assessments of Tax owed by it in respect of the Principal Business. No unassessed Tax deficiency has been proposed or, to the Knowledge of the Key Holder, threatened against any such Key Holder Party.

(j) FCPA Compliance. Neither the Key Holder nor, to the Knowledge of the Key Holder, any director, officer, agent, employee, Affiliate or other Person acting on its behalf has, in relation to the operation of the Principal Business:

(i) made, or offered any payment of anything of value, or authorized such payment or offer, to any officer, employee or any other person acting in an official capacity for any government or any department, agency or instrumentality thereof, including any entity or enterprise owned or controlled by a government, or for any public international organization, to any political party or official thereof or to any candidate for political office (individually and collectively, a "Government Official") or to any person knowing or being aware of a high probability that all or a portion of such money or thing of value will be unlawfully offered, given or promised, directly or indirectly, to any Government Official, for the purpose of (1) influencing any act or decision of such Government Official in his official capacity, (2) inducing such Government Official to do or omit to do any act in violation of his lawful duty, (3) securing any improper advantage, (4) inducing such Government Official to influence or affect any act or decisions of any entity or enterprise owned or controlled by a government or (5) assisting any Key Holder Party in obtaining or retaining business for or with, or directing business to any Key Holder Party; or

(ii) violated any provision of applicable anti-bribery and anti-corruption Laws of any jurisdiction in which any Key Holder Party conducts its business or operations, including the United States Foreign Corrupt Practices Act of 1977, as amended (the "FCPA").

(k) Full Disclosure. As of the Closing Date, each of the Key Holder and the Company shall have provided Tencent with all the material information regarding the Group Companies which a prudent investor would have requested for deciding whether to purchase the Subscription Shares on the terms set out hereunder.

(l) Compliance with Laws. None of the Key Holder Parties has been in violation of any applicable Law or Order applicable in relation to its operation of the Principal Business since its establishment, other than such violations as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.2 Representation and Warranties of the Magic Heart Inc. Subject to Section 6.1, Magic Heart Inc. hereby represents, warrants and undertakes to Tencent that the following representations and warranties are true, accurate and not misleading on and as of the date of this Agreement, shall be true, accurate and not misleading on and as of the Closing Date with the same effect as if made on and as of the Closing Date:

(a) Due Formation. Magic Heart Inc. is duly formed, validly existing and in good standing in the British Virgin Islands and has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. Magic Heart Inc. has full power and authority to enter into, execute and deliver each Transaction Document to which it is or will be a party and each other agreement, certificate, document and instrument to be executed and delivered by it pursuant to any Transaction Document and to perform its obligations thereunder. The execution and delivery by Magic Heart Inc. of each Transaction Document to which it is or will be a party and the performance by Magic Heart Inc. of its obligations thereunder have been duly authorized by all requisite actions on its part.

(c) Valid Agreement. Each Transaction Document to which Magic Heart Inc. is or will be a party has been or will be duly executed and delivered by Magic Heart Inc. and constitutes, or when executed and delivered in accordance herewith will constitute, the legal, valid and binding obligations of Magic Heart Inc., enforceable against Magic Heart Inc. in accordance with its terms, except as limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(d) Non-contravention; Litigation. Neither the execution and delivery of each Transaction Document to which Magic Heart Inc. is or will be a party nor the consummation of any of the Contemplated Transactions will (i) violate any provision of the organizational documents of Magic Heart Inc. or violate any Law or Order to which Magic Heart Inc. is subject or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under or create in any party the right to accelerate, terminate, modify or cancel any Contract to which Magic Heart Inc. is a party, by which Magic Heart Inc. is bound or to which any of Magic Heart Inc.'s assets are subject. There is no action, suit or proceeding pending or, to the Knowledge of Magic Heart Inc. and the Key Holder, threatened against Magic Heart Inc. that questions the validity of this Agreement or the right of Magic Heart Inc. to enter into this Agreement or to consummate the Contemplated Transactions.

(e) Consents and Approvals. None of the execution and delivery by Magic Heart Inc. of each Transaction Document to which Magic Heart Inc. is a party, the consummation by Magic Heart Inc. of any of the Contemplated Transactions nor the performance by Magic Heart Inc. of each Transaction Document to which Magic Heart Inc. is a party in accordance with its terms requires any Authorization, except for those Authorizations as have been or will have been obtained, made or given on or prior to the Closing Date.

Section 3.3 Representations and Warranties of the Company. Subject to Section 6.1, the Company hereby represents, warrants and undertakes to Tencent that the following representations and warranties are true, accurate and not misleading on and as of the date of this Agreement, shall be true, accurate and not misleading on and as of the Closing Date with the same effect as if made on and as of the Closing Date and, solely with respect to the Restructuring Representations contained in this Section 3.3, shall be true, accurate and not misleading on and as of the Restructuring Completion Date with the same effect as if made on and as of the Restructuring Completion Date:

(a) Due Formation. Each Group Company is duly formed, validly existing and in good standing in the jurisdiction of its organization and has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. Each Group Company has full power and authority to enter into, execute and deliver each Transaction Document to which it is or will be a party and each other agreement, certificate, document and instrument to be executed and delivered by it pursuant to any Transaction Document and to perform its obligations thereunder. The execution and delivery by each Group Company of each Transaction Document to which it is or will be a party and the performance by such Group Company of its obligations thereunder have been duly authorized by all requisite actions on its part.

(c) Valid Agreement. Each Transaction Document to which any Group Company is or will be a party has been or will be duly executed and delivered by such Group Company and constitutes, or when executed and delivered in accordance herewith will constitute, the legal, valid and binding obligations of such Group Company, enforceable against it in accordance with its terms, except as limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(d) Articles; Business Licenses. As of the Closing Date, the Articles shall be in full force and effect and shall not have been superseded or amended. The business licenses and articles of association of each of the Group Companies incorporated in the PRC are in full force and effect under, and in compliance with, PRC Laws.

(e) Capitalization.

(i) As of the date hereof, the authorized share capital of the Company is US\$50,000 divided into a total of 500,000,000 Ordinary Shares of which one is issued and outstanding. Immediately prior to the Closing, the authorized share capital of the Company shall be US\$50,000 divided into (1) a total of 4,500,000,000 Ordinary Shares, of which 10 will be issued and outstanding and (2) a total of 500,000,000 Series A Preferred Shares, none of which will be issued and outstanding. The Capitalization Table truly and accurately describes the capitalization of each Group Company on a fully diluted basis on the date hereof, immediately prior to the Closing and immediately following the Closing, in each case reflecting all then outstanding Equity Securities in such Group Company, the record and beneficial holders thereof and the terms of any vesting applicable thereto.

(ii) Except for certain rights provided in or contemplated by the Transaction Documents and provided under applicable Laws and the outstanding Equity Securities set forth in the Capitalization Table, (1) there are no outstanding Equity Securities in any Group Company, (2) no Equity Securities in any Group Company are subject to any preemptive rights, rights of first refusal or first offer or other rights to purchase such Equity Securities or any other rights with respect to such Equity Securities, (3) no Group Company is a party or subject to any Contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the redemption or repurchase of or a change in the vesting provisions related to, any Equity Security in such Group Company and (4) no Group Company has ever adjusted or amended the exercise price of any share options previously awarded, whether through amendment, cancellation, replacement grant, repricing or any other means.

(iii) Except as provided in the Shareholders Agreement (from and after the Closing), the Company has not granted any registration rights or information rights to any other Person, nor is the Company obliged to cause the listing of any of the Equity Securities in any Group Company on any securities exchange.

(iv) All of the outstanding Equity Securities in each Group Company (1) are duly authorized, validly issued, fully paid and non-assessable, free and clear of all Encumbrances and (2) were not issued in contravention of any preemptive rights, rights of first refusal or first offer or similar rights or any applicable Laws or Contracts.

(v) Except as contemplated by the Transaction Documents, there are no (1) resolutions pending to increase the authorized, issued or outstanding Equity Securities in any Group Company, (2) dividends which have accrued or been declared but are unpaid by any Group Company, (3) obligations, contingent or otherwise, of any Group Company to repurchase, redeem or otherwise acquire any Equity Securities or (4) outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company.

(vi) The rights of the Ordinary Shares and the Series A Preferred Shares are as stated in the Articles.

(f) Due Issuance. The Tencent Subscription Shares have been duly authorized and, when issued and delivered to and paid for by Tencent pursuant to this Agreement, will be validly issued, fully paid and non-assessable, free and clear of all Encumbrances (except for restrictions arising under the Securities Act or created by virtue of the Transaction Documents), and upon delivery and entry into the register of members of the Company of the Tencent Subscription Shares, Tencent shall have good and valid title to the Tencent Subscription Shares, free and clear of all Encumbrances (except for restrictions arising under the Securities Act or created by virtue of the Transaction Documents). The Ordinary Shares into which the Tencent Subscription Shares are convertible have been reserved for issuance and, when issued and delivered in accordance with the terms of the Articles, will be validly issued, fully paid and non-assessable, free and clear of all Encumbrances (except for restrictions arising under the Securities Act or created by virtue of the Transaction Documents), and shall rank pari passu in all respects with existing Ordinary Shares at the time of their issuance. The issuance of the Tencent Subscription Shares and the Ordinary Shares into which they are convertible is not subject to any preemptive rights, rights of first refusal or first offer or similar rights. Assuming the truthfulness and accuracy of the representations made by Tencent under Section 3.4(f), the issuance of the Tencent Subscription Shares pursuant to this Agreement are, and the issuance of the Ordinary Shares into which they are convertible will be, exempt from the registration and prospectus delivery requirements of all applicable Securities Laws. All presently outstanding Equity Securities in the Company have been issued, and, assuming the truthfulness and accuracy of the representations made by Tencent under Section 3.4(f), the Tencent Subscription Shares and the Ordinary Shares into which they are convertible will be issued, in compliance with the requirements of all applicable Securities Laws.

(g) Non-contravention; Litigation. Neither the execution and delivery of each Transaction Document to which any Group Company is or will be a party nor the consummation of any of the Contemplated Transactions will (i) violate any provision of the organizational documents of any Group Company or violate any Law or Order to which any Group Company is subject or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under or create in any party the right to accelerate, terminate, modify or cancel any Contract to which any Group Company is a party, by which any Group Company is bound or to which any Group Company's assets are subject. There is no action, suit or proceeding pending or threatened in writing against any Group Company that questions the validity of this Agreement or the right of any Group Company to enter into each Transaction Document to which it is or will be a party or to consummate the Contemplated Transactions.

(h) Consents and Approvals. None of the execution and delivery of each Transaction Document to which any Group Company is or will be a party, the consummation of any of the Contemplated Transactions nor the performance by any Group Company of each Transaction Document to which such Group Company is or will be a party in accordance with its terms requires any Authorization, except for those Authorizations expressly set forth in the Transaction Documents.

(i) Holding Companies. Each of the Group Companies was formed solely to acquire and hold Equity Securities in the relevant Group Companies or the Contributed Assets or to operate the Principal Business and has not since its formation engaged in any business other than the Principal Business and the business in relation to its acquiring and holding Equity Securities in the other relevant Group Companies or the Contributed Assets.

(j) Brokers. The Company has not dealt with any broker, finder, commission agent, placement agent or arranger in connection with the issuance of the Tencent Subscription Shares, and none of the Group Companies is under any obligation to pay any broker's fee or commission in connection with the issuance of the Tencent Subscription Shares or the Contemplated Transactions.

(k) Constitutional Documents. The constitutional documents of each Group Company are in the form provided to Tencent. Each Group Company has made available to Tencent or its advisors a copy of its minute books, to the extent such Group Company keeps minute books. Such copy is true, correct and complete, and contains all amendments and all minutes of meetings and actions taken by its shareholders and directors since the time of formation through the date hereof and reflects all transactions referred to in such minutes accurately in all material respects.

(I) Control Documents. As of the Closing Date (with respect to the following clauses (i) through (iii) and (v)) and the Restructuring Completion Date (with respect to clauses (i) through (v)):

(i) Each party to any Control Document (other than the Tencent Nominee) has full power and authority to enter into, execute and deliver such Control Document to which it is a party and each other agreement, certificate, document and instrument to be executed and delivered by it pursuant to the Control Documents and to perform its obligations thereunder. The execution and delivery by such party of each Control Document to which it is a party and the performance by such party of its obligations thereunder have been duly authorized by all requisite actions on its part. Subject to any necessary Authorization by the relevant Governmental Authority, each Control Document to which such party is a party has been or will be duly executed and delivered by such party and constitutes, or when executed and delivered in accordance herewith will constitute, the legal, valid and binding obligations of such party, enforceable against such party in accordance with its terms, except as limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (2) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(ii) No Authorizations are required to be obtained for the execution and delivery of the Control Documents, the performance by the parties to each Control Document of their respective obligations thereunder and the transactions contemplated under the Control Documents, other than those Authorizations that (1) have already been obtained or provided for under the Control Documents, (2) remain in full force and effect, (3) are required to register any share pledge to secure the VIE Entity's obligations under the Control Documents and to make the transfer of profits from the VIE Entity to the Group Company incorporated in Hong Kong, (4) are required for transfer of equity interests in the VIE Entity upon exercise by the WFOE of its rights under the relevant exclusive option agreement among the WFOE, the VIE Entity and the shareholders of the VIE Entity and (5) do not impose any obligation, condition or restriction that would create a material burden on the parties to the Control Documents.

(iii) The execution, delivery and performance by each and all of the relevant parties (other than the Tencent Nominee) of their respective obligations under each and all of the Control Documents, and the consummation of the transactions contemplated thereunder, did not and do not (1) result in any violation of their respective articles of association, business licenses or constitutive documents, (2) result in any violation of any applicable PRC Laws which would reasonably be expected to have, individually or in aggregate, a Material Adverse Effect or (3) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any Order of any court of the PRC having jurisdiction over the relevant parties to the Control Documents or any Contract to which any of such parties is expressed to be a party or which is binding on any of them.

(iv) Each Control Document entered into between the WFOE and the VIE Entity is, and all of such Control Documents taken as a whole are, legal, valid, enforceable and admissible as evidence under PRC Laws, and constitute the legal and binding obligations of the relevant parties.

(v) All shareholders of the VIE Entity (other than the Tencent Nominee) are acting in good faith and in the best interests of the Company. There have been no disputes, disagreements, claims or any legal proceedings of any nature, raised by any Governmental Authority or any other party, pending or, to the Knowledge of the Company, threatened against or affecting any of the VIE Entity and other Group Companies that (1) challenge the validity or enforceability of any part or all of the Control Documents taken as a whole, (2) challenge the VIE structure or the ownership structure as set forth in the Control Documents, (3) claim any ownership, share, equity or interest in the VIE Entity or other Group Companies, or claim any compensation for not being granted any ownership, share, equity or interest in the VIE Entity or other Group Companies or (4) claim any of the Control Documents or the ownership structure thereof or any arrangement or performance of or in accordance with the Control Documents was, is or will violate any PRC Laws.

(m) Tax Filings.

(i) Each of the Group Companies has filed or caused to be filed in a timely manner all Tax returns required to be filed by it, all such Tax returns are true, correct and complete in all material respects and each of the Group Companies has paid, or provided adequate reserves, for all Taxes and deficiencies or other assessments of Tax owed by it. All Taxes which any Group Company has been obligated to collect, deduct or withhold from amounts paid by any customer or other third party, or owing to any employee, creditor or other third party, have been timely collected, deducted or withheld and paid to the appropriate Governmental Authority.

(ii) No Tax examination, audit, investigation or administrative or judicial proceedings by any Governmental Authority are currently in progress with respect to the Group Companies. None of the Group Companies has received any from any Governmental Authority (1) notice indicating any intent to open an examination, audit, investigation or administrative or judicial proceedings in respect of any Tax or Tax return or (2) notice of deficiency or proposed adjustment for any unpaid Taxes.

(n) Interested Party Transaction. Except as set forth in or contemplated by the Transaction Documents, none of the Key Employees, the shareholders, officers or directors of a Group Company, or officer or director of any Group Company's shareholder, or any Affiliate of any foregoing party, has any contract, understanding or proposed transaction with, or is indebted to, any Group Company, nor is any Group Company indebted, or committed to make loans or extend or guarantee credit, to any of such Persons, other than for accrued salaries, reimbursable expenses or other standard employee benefits.

(o) FCPA Compliance. None of the Group Companies nor, to the Knowledge of the Company, any director, officer, agent, employee, Affiliate or other Person acting on the behalf of any Group Company has:

(i) made, or offered any payment of anything of value, or authorized such payment or offer, to any Government Official or to any person knowing or being aware of a high probability that all or a portion of such money or thing of value will be unlawfully offered, given or promised, directly or indirectly, to any Government Official, for the purpose of (1) influencing any act or decision of such Government Official in his official capacity, (2) inducing such Government Official to do or omit to do any act in violation of his lawful duty, (3) securing any improper advantage, (4) inducing such Government Official to influence or affect any act or decisions of any entity or enterprise owned or controlled by a government or (5) assisting any Group Company in obtaining or retaining business for or with, or directing business to any Group Company; or

(ii) violated any provision of applicable anti-bribery and anti-corruption Laws of any jurisdiction in which any Group Company conducts its business or operations, including the FCPA.

(p) Compliance with Laws. Each of the Group Companies has been in compliance with any Law or Order applicable to it since its establishment (including applicable Laws governing the receipt, collection, use, storage, processing, sharing, security, disclosure or transfer of personal information).

(q) Insolvency.

(i) The aggregate assets of each Group Company, at a fair valuation, exceeds or shall exceed the aggregate debt of such Group Company as the debt becomes absolute and mature, and each Group Company is not incurring nor intends to incur, and shall not have incurred nor intended to incur, debt beyond its ability to pay such debt as such debt becomes absolute and matures.

(ii) There has not been commenced against any Group Company an involuntary case under any applicable national, provincial, city, local or foreign bankruptcy, insolvency, receivership or similar Law, or any Action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Group Company or for any substantial part of its property or for the winding up or liquidation of its affairs.

Section 3.4 Representations and Warranties of Tencent. Tencent hereby represents, warrants and undertakes to the Key Holder and the Company that the following representations and warranties are true, accurate and not misleading on and as of the date of this Agreement and shall be true, accurate and not misleading on and as of the Closing Date with the same effect as if made on and as of the Closing Date:

(a) Due Formation. Tencent is duly formed, validly existing and in good standing in Hong Kong and has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. Tencent has full power and authority to enter into, execute and deliver each Transaction Document to which it is or will be a party and each other agreement, certificate, document and instrument to be executed and delivered by it pursuant to any Transaction Document and to perform its obligations thereunder. The execution and delivery by Tencent of each Transaction Document to which it is or will be a party and the performance by Tencent of its obligations thereunder have been duly authorized by all requisite actions on its part.

(c) Valid Agreement. Each Transaction Document to which Tencent is or will be a party has been or will be duly executed and delivered by Tencent and constitutes, or when executed and delivered in accordance herewith will constitute, the legal, valid and binding obligations of Tencent, enforceable against Tencent in accordance with its terms, except as limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(d) Non-contravention; Litigation. Neither the execution and delivery of each Transaction Document to which Tencent is or will be a party nor the consummation of any of the Contemplated Transactions will (i) violate any provision of the organizational documents of Tencent or violate any Law or Order to which Tencent is subject or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under or create in any party the right to accelerate, terminate, modify or cancel any Contract to which Tencent is a party, by which Tencent is bound or to which any of Tencent's assets are subject. There is no action, suit or proceeding pending or, to the Knowledge of Tencent, threatened against Tencent that questions the validity of this Agreement or the right of Tencent to enter into this Agreement or to consummate the Contemplated Transactions.

(e) Consents and Approvals. None of the execution and delivery by Tencent of each Transaction Document to which Tencent is a party, the consummation by Tencent of any of the Contemplated Transactions nor the performance by Tencent of each Transaction Document to which Tencent is a party in accordance with its terms requires any Authorization, except for those Authorizations as have been or will have been obtained, made or given on or prior to the Closing Date.

(f) Status and Investment Intent.

(i) Experience. Tencent has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Tencent Subscription Shares. Tencent is capable of bearing the economic risks of such investment, including a complete loss of its investment.

(ii) Purchase Entirely for Own Account. Tencent is acquiring the Tencent Subscription Shares pursuant to this Agreement for its own account for investment purposes only and not with the view nor intention to resell, distribute or otherwise dispose thereof. Tencent does not have any direct or indirect arrangement or understanding with any other Person to distribute the Tencent Subscription Shares in violation of the Securities Act or any other applicable state securities law.

(iii) Solicitation. Tencent was not identified or contacted through the marketing of the Tencent Subscription Shares. Tencent did not contact the Company as a result of any general solicitation or directed selling efforts.

(iv) Restricted Securities. Tencent acknowledges that the Tencent Subscription Shares are “restricted securities” that have not been registered under the Securities Act or any applicable state securities law. Tencent further acknowledges that, absent an effective registration under the Securities Act, the Tencent Subscription Shares may only be offered, sold or otherwise transferred (1) to the Company, (2) outside the United States of America in accordance with Rule 904 of Regulation S under the Securities Act or (3) pursuant to an exemption from registration under the Securities Act.

(v) Not U.S. Person. Tencent is not a “U.S. person” as defined in Rule 902 of Regulation S under the Securities Act.

(vi) Offshore Transaction. Tencent has been advised and acknowledges that in issuing the Tencent Subscription Shares to it pursuant hereto, the Company is relying upon the exemption from registration provided by Regulation S under the Securities Act. Tencent is acquiring the Tencent Subscription Shares in an offshore transaction in reliance upon the exemption from registration provided by Regulation S under the Securities Act.

ARTICLE IV COVENANTS

Section 4.1 Conduct of Business of the Company. From the date hereof until the Closing Date, except as expressly contemplated by any Transaction Document or with the prior written consent of Tencent (which consent shall not be unreasonably withheld or delayed), the Company shall not, and each of the Key Holder and the Company shall cause each of the Group Companies not to:

- (a) amend its organizational documents;
- (b) split, combine or reclassify any Equity Security in any Group Company;
- (c) declare, set aside or pay any dividend or other distribution (whether in cash, stock, property or any combination thereof) in respect of the Equity Securities in any Group Company;
- (d) redeem, repurchase or otherwise acquire any Equity Securities in the any Group Company;
- (e) issue, deliver or dispose of any Equity Securities in any Group Company, other than the issuance of any Equity Securities of any wholly-owned Subsidiary of the Company to the Company or any other wholly-owned Subsidiary of the Company;
- (f) amend any term of any Equity Securities in any Group Company;
- (g) acquire (by merger, consolidation or otherwise), directly or indirectly, any assets, securities, properties, interests or businesses, other than in the ordinary course of business consistent with past practice;

(h) sell, lease or otherwise dispose of, or create or incur any Encumbrance on, any assets, securities, properties or interests of any Group Company, other than in the ordinary course of business consistent with past practice;

(i) make any loans, advances or capital contributions to, or investments in, any other Person;

(j) create, incur, assume, suffer to exist or otherwise be liable with respect to any Indebtedness, other than in the ordinary course of business consistent with past practice;

(k) hire any employee or consultant or adopt, establish, enter into, amend, terminate or increase the benefits under any employee benefit plan, practice, program, policy or Contract;

(l) make any material change in any method of accounting or accounting practice used by such Group Company;

(m) enter into any contract or other transaction with an Affiliate;

(n) make, change or revoke any material Tax election, enter into, request or obtain any “closing agreement” with any Governmental Authority in respect of Taxes, file any amended Tax return, incur any Liability for Tax other than in the ordinary course of business or consent to any extension or waiver of the limitations period applicable to any Tax claim or assessment;

(o) initiate or settle any Action involving or against any Group Company; or

(p) agree, commit or offer to do any of the foregoing.

Section 4.2 Operation of the Principal Business. From the date hereof until the Closing Date, (a) the Key Holder shall ensure that the Principal Business is carried out in the ordinary course consistent with past practice, and shall use commercially reasonable efforts to preserve its relationships with customers, suppliers, lenders and other Persons having business dealings relating to the Principal Business and keep available the services of and not to change the main work undertaken by, the employees who are currently involved in the Principal Business but cannot be transferred to the Group due to reasons associated with their work residence permit. The Key Holder shall, and shall cause each of the relevant Key Holder Parties to, use commercially reasonable efforts to negotiate and renew business contracts in the Principal Business which have expired on or prior to the date hereof. The Key Holder shall ensure that the Principal Business is conducted in a manner which complies with all applicable Laws in all material respects. The Key Holder shall, and shall cause each of the relevant Key Holder Parties, to provide the Group with the support required under the Restructuring Documents in compliance with the terms thereof.

Section 4.3 Regulatory Compliance. The Company shall ensure that each of the Group Companies complies, in all material respects, with all applicable PRC Laws, including Laws in connection with the operation of the Principal Business, internet advertising, welfare funds, social benefits, medical benefits, insurance, requirement benefits, pensions and income, value-added or business tax.

Section 4.4 Negative Covenants. From the date hereof until the Closing Date, except as expressly contemplated by any Transaction Documents or with the prior written consent of Tencent (which consent shall not be unreasonably withheld or delayed), the Key Holder shall ensure that no Key Holder Party shall do any of the following:

(a) Compensation. other than in the ordinary course of business consistent with past practice, (i) increase annual recurring compensation or fringe benefits payable to any Person employed in connection with the Principal Business, (ii) pay or grant any severance, termination or change-of-control benefit to such Person or (iii) adopt or amend any employee incentive plan of any Key Holder Party involved in the Principal Business;

(b) Contracts. (i) terminate any Transferred Contract or (ii) modify or amend any Transferred Contract or otherwise assume any additional liability or obligations pursuant to such Transferred Contract, other than on terms that would not be materially adverse to the interests of the Principal Business and any modification, amendment or liability that is made or incurred in the ordinary course of business;

(c) No Material Adverse Effect. take any action that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(d) Disposition of Contributed Assets. sell, convey, assign, lease or otherwise transfer or dispose of any of the Contributed Assets, other than in the ordinary course of business consistent with past practice;

(e) Encumbrances. create, assume or permit to exist any Encumbrance upon any of the Contributed Assets, other than in the ordinary course of business consistent with past practice;

(f) Authorizations. do any act or fail to do any act which could result in the termination, expiration, revocation, suspension, nonrenewal or adverse modification of any Authorizations necessary and material for the operation of the Principal Business;

(g) Waivers etc. waive, release or assign any material right or claim relating to the Principal Business or the Contributed Assets; and

(h) No Agreement. agree to do any of the foregoing.

Section 4.5 Affirmative Covenants. From the date hereof until the Closing Date, the Key Holder shall, and shall ensure that each of the Key Holder Parties shall, do the following:

(a) Access to Information, provide each of the Company, Tencent and their respective representatives reasonable access to the Principal Business and the Contributed Assets for purposes of audit and inspection, and make available or cause to be made available to each of the Company, Tencent and their respective authorized representatives all information with respect to the Principal Business and the Contributed Assets as such Person may reasonably request;

(b) Maintenance of Assets, (i) maintain all of the Contributed Assets (including Transferred IP) and all buildings or other improvements located on any leased real property owned or used in connection with the Principal Business in a condition (ordinary wear and tear excepted) no worse than the condition as of the date hereof, and use all of the Contributed Assets and all buildings or other improvements located on any leased real property owned or used in connection with the Principal Business in a commercially reasonable manner, and (ii) duly perform and enforce the Transferred Contracts;

(c) Insurance, maintain existing insurance coverage with respect to the Principal Business and the Contributed Assets consistent with past practice;

(d) Books and Records, maintain the books and records of the Principal Business in the ordinary course;

(e) Notification, promptly notify Tencent of (i) any material change in the Key Holder's representations and warranties or any material failure to perform any covenant or agreement of the Key Holder contained in any Transaction Document or (ii) any material breach of any representation, warranty, covenant or agreement of the Key Holder contained in any Transaction Document. Such notification shall be without prejudice to any rights or remedies accruing to Tencent from any such change, failure or breach;

(f) Compliance with Laws, comply in all material respects with all Laws applicable to the Principal Business and the Contributed Assets; and

(g) Goodwill, use its commercially reasonable efforts to preserve for the Company the goodwill of the Key Holder Parties' suppliers, customers, landlords and other Persons having business relations with the Key Holder Parties in relation to the Principal Business.

Section 4.6 Closing Balance Sheet; Accounts.

(a) As soon as practicable after the date hereof, the Key Holder shall prepare and deliver to Tencent the Assets Sheet and the Closing Balance Sheet, together with the assumptions made in the preparation thereof, and any supporting documentation therefor reasonably requested by Tencent. The Closing Balance Sheet shall be prepared in accordance with US GAAP.

(b) The Key Holder shall ensure that, as of the Closing Date, the amount of liabilities of the Group as reflected in the Closing Balance Sheet (other than those liabilities arising from payment required to be paid by the Group Companies specifically provided for under Restructuring Documents, which amount shall not exceed the amount of registered capital of the VIE Entity actually paid by the Key Holder) is zero.

Section 4.7 VIE Entity and Control Documents.

(a) The Company shall ensure that, within 90 days after the Closing Date, all necessary Authorizations shall have been obtained in connection with the contribution of the VIE Purchase Price by or on behalf of the Tencent Nominee to the registered capital of the VIE Entity and the amendment of the constitutional documents of the VIE Entity to reflect the holding by the Tencent Nominee of 25.0% of the equity interests in the VIE Entity, and Tencent shall, and shall cause the Tencent Nominee to, provide necessary assistance requested by the Company.

(b) The Company shall ensure that, as soon as practicable but in any event within 90 days after the Closing Date, the VIE Entity is duly established with the Tencent Nominee and the Key Holder Nominee holding 25.0% and 75.0% of the equity interests therein, respectively, and Tencent shall, and shall cause the Tencent Nominee to, provide necessary assistance requested by the Company.

(c) As soon as practicable but in any event within 90 days after the Closing Date, (i) the Company shall, or cause the other Group Companies to, establish the WFOE and (ii) the Company shall cause concurrently the termination of the Control Documents then in force and effect among the Group Company incorporated in Hong Kong, the VIE Entity and certain other parties thereto and the entry into new Control Documents by the WFOE and the VIE Entity.

(d) Against compliance by the Company with, and as soon as practicable but in any event within five (5) Business Days after the completion of, Section 4.7(a), 4.7(b) and 4.7(c), Tencent shall (i) cause the entry into the new Control Documents referred to in Section 4.7(c) by the Tencent Nominee and (ii) pay and deliver, or cause to be paid and delivered, to the VIE Entity, on behalf of the Tencent Nominee, the VIE Purchase Price in RMB as capital contribution to the VIE Entity by wire transfer of immediately available funds to such bank account designated in writing by the Company to Tencent at least seven Business Days prior to the date of such proposed payment.

Section 4.8 Restructuring.

(a) The Parties shall, and the Key Holder and the Company shall cause the Key Holder Parties and the Group Companies to, negotiate, prepare and finalize in good faith the Restructuring Documents, other than the Framework Restructuring Agreement, to the reasonable satisfaction of Tencent as soon as practicable following the date hereof.

(b) Neither the Key Holder nor the Company shall, and the Key Holder and the Company shall cause each of the Key Holder Parties and the Group Companies not to, consent to any amendment, supplement, termination or waiver of any rights or obligations under any Restructuring Document, save with the prior written consent of Tencent (which consent shall not be unreasonably withheld or delayed).

(c) During the term of the Framework Restructuring Agreement, each of the Key Holder and the Company shall, and shall cause each of the Key Holder Parties and the Group Companies to, provide Tencent and, at the request of Tencent, its professional advisors with (i) an update on the status of the Restructuring after the completion of any material step thereto and (ii) any relevant documentation evidencing the contents of such update, to the extent such documentation exists.

(d) The Key Holder shall, and shall cause each of the Key Holder Parties and the Group Companies to, duly perform each of its obligations under the Restructuring Agreement before the expiration of any applicable deadlines and consummate the Restructuring in accordance with the Restructuring Documents and in compliance with all applicable PRC Laws in all material respects.

(e) The Company shall ensure that, within 12 months after the Closing Date, the VIE Entity obtains from the relevant PRC Governmental Authority the ICP Permit and deliver to Tencent a copy of the ICP Permit, and the Key Holder shall, and shall cause each of the Key Holder Parties to, use commercially reasonable efforts to assist the Company and the VIE Entity in applying for and obtaining the ICP Permit.

(f) The Company shall ensure that the VIE Entity and the shareholders of the VIE Entity (other than the Tencent Nominee) and Tencent shall ensure that the Tencent Nominee, file with the competent PRC administration for industry and commerce, as soon as practicable but in any event within one month after the completion of Section 7, the pledge created over the equity interests in the VIE Entity in accordance with the Control Documents and provide to Tencent a copy of the registration certificate obtained from the competent PRC administration for industry and commerce, provided that failure to complete the filing with such period due to reasons on the part of the competent PRC administration for industry and commerce shall not constitute a violation or non-performance of this Section 4.8(f).

(g) The Key Holder shall, and shall cause each of the relevant Key Holder Parties to, and the Company shall, and shall cause each of the relevant Group Companies to, duly perform each of its obligations with respect to trademarks and IPs provided for under the Framework Restructuring Agreement in accordance with the terms thereof.

(h) In connection with the Restructuring, the Key Holder shall bear, or shall reimburse the Group Companies for, (i) all Tax Liabilities incurred in connection with the contribution of assets by the relevant Key Holder Parties to the Group pursuant to the Framework Restructuring Agreement and the contribution of business resources other than the advertisement support by the relevant Key Holder Parties to the Group pursuant to the Key Holder Business Cooperation Agreement, and (ii) all obligations for severance or similar payments to employees of the Principal Business taking into account the seniority of such employees to the extent arising from the termination of their employment with the relevant Key Holder Party prior to the earlier of (1) the Closing Date and (2) the date on which such employees are transferred to the Group pursuant to the Restructuring Documents. All Tax Liabilities of the Group Companies arising from matters occurred prior to the Closing Date shall be borne by the Key Holder.

(i) The Key Holder shall ensure that the total purchase price for all Contributed Assets payable by any Group Company to any Key Holder Party or third party (other than payment pursuant to and specified in section 8.4(6) of the Framework Restructuring Agreement) shall not exceed the amounts of cash contributions paid by Key Holder Nominee to the VIE Entity as registered capital, which shall be RMB10,000,000.

Section 4.9 Non-Assignable Assets.

(a) None of the Key Holder Parties nor the Group Companies shall be required to assign or transfer any Contributed Asset which by its terms or by Law is not assignable or transferable without the consent or approval of any Governmental Authority or other third party or satisfaction of any condition (each “Conditional Transfer Asset”), unless and until such consent or approval has been obtained or such condition has been satisfied, or any Non-Transferred Contributed Asset.

(b) The Key Holder and the Company shall, and shall cause each of the Key Holder Parties and the Group Companies to, use commercially reasonable efforts to obtain as expeditiously as possible any consent or approval that may be required and to satisfy any condition necessary to the assignment or transfer of a Conditional Transfer Asset to the Group Companies.

(c) (A) With respect to any Conditional Transfer Asset that is not a Contract, unless and until any such consent or approval that may be required is obtained or any such condition is satisfied, to the extent permitted by applicable Law and by the terms of the applicable Conditional Transfer Asset, the Key Holder and the Company shall, and shall cause each of the Key Holder Parties and the Group Companies to, cooperate and use commercially reasonable efforts to establish an arrangement (including subcontracting, sublicensing or subleasing arrangements) under which the Group Companies would obtain the rights and benefits and assume the corresponding liabilities and obligations under such Conditional Transfer Asset or under which the Key Holder or the Key Holder Parties would, at the reasonable request of the Group Companies, enforce for the benefit of the Group Companies, in respect of such Conditional Transfer Asset, any and all claims, rights and benefits of the Key Holder and its Subsidiaries against a third party; (B) with respect to any Conditional Transfer Asset that is a Contract, the Parties shall discuss in good faith and agree upon the arrangement to ensure that the arrangements under this Section 4.9(c) can be applied to such Contract, unless such arrangements are expressly provided for under the Framework Restructuring Agreement. The foregoing arrangement shall not apply to a Transferred Employee.

(d) If and when all such consents or approvals are obtained and all such conditions are satisfied in respect of the relevant Conditional Transfer Asset, the transfer of such Conditional Transfer Asset to the Group Companies shall be effected in accordance with the terms of the Restructuring Documents.

Section 4.10 Non-competition.

(a) From the date hereof until the date on which Tencent and its Affiliates dispose of all their respective interests in the Group, the Key Holder shall not, and shall cause its Affiliates not to, directly or indirectly, invest in, own, manage, operate or Control any Competitor or otherwise participate, engage or invest in or operate any Competitive Business, other than through the Group Companies, without the prior written consent of Tencent; provided, that the restrictions contained in this Section 4.10(a) shall not restrict (i) the acquisition of less than 5% of the outstanding share capital of any Competitor that is a publicly traded company and (ii) the ownership, management, operation and Control of any Competitor, or the direct or indirect participation, engagement or investment in any Competitive Business by entities not Controlled by the Key Holder or any of its Affiliates.

(b) From the date hereof until the date on which the Key Holder and its Affiliates dispose of all their respective interests in the Group, Tencent shall, and shall cause its Affiliates to comply with the obligations set out in Schedule 1.

(c) Each of the Key Holder and Tencent acknowledges and agrees that the agreements and covenants contained in this Section 4.10 are reasonable in scope and duration, an integral part of the Contemplated Transactions and necessary to protect and preserve the Company's legitimate business interests and the value of the Principal Business and to prevent any unfair advantage.

Section 4.11 Most Favored Nation. From the date hereof until the Closing Date, if the Company proposes to issue any Equity Security to any Person, or any of the Key Holder Parties enters into any agreement with any Person in connection with the subscription for Equity Securities in the Company by such Person, which is on terms or provides rights which are more favorable to such Person than those contained in the Transaction Documents, the Key Holder and the Company shall promptly notify Tencent thereof and agree to, and shall cause all necessary third parties to agree to, such amendments to the Transaction Documents as shall ensure that those same terms or rights are provided to Tencent.

Section 4.12 Further Assurances. From the date hereof until the Closing Date, the Parties shall use their commercially reasonable efforts to satisfy the conditions precedent to the consummation of the Contemplated Transactions.

Section 4.13 Use of Proceeds. The Company shall use the Tencent Purchase Price for the general corporate purposes of the Group Companies.

Section 4.14 Cooperation. The Parties shall use their commercially reasonable efforts to cooperate to facilitate the further development of the Principal Business following the Closing.

Section 4.15 Conduct of Other Businesses. The Company shall ensure that the Group shall conduct (a) any business relating to real estate, automobiles or human resources exclusively in cooperation with the Key Holder and its Affiliates, and (b) any business relating to finance exclusively in cooperation with the Key Holder and its Affiliates and/or Tencent and its Affiliates. The Company shall not, and shall cause the Group not to, conduct any business relating to real estate, automobiles, human resources or finance in any manner not compliant with the preceding sentence without the prior approval of the Board.

Section 4.16 Permits. The Company shall ensure that the Group Companies promptly obtain all Authorizations required by applicable PRC Laws and necessary and material for the Principal Business and any other business proposed to be conducted by the Group Companies.

Section 4.17 Access. From the date hereof until the Closing Date, the Key Holder shall, and shall cause its Affiliates to, (a) give Tencent and its counsel, financial advisors, auditors and other representatives reasonable access to the offices, properties, books and records of the Group Companies, the Principal Business and the Contributed Assets, (b) furnish to Tencent and its counsel, financial advisors, auditors and other representatives such information relating to the Group Companies, the Principal Business and the Contributed Assets as may be reasonably requested and (c) instruct the employees, counsel, accountants and other advisors of the Key Holder and its Affiliates to cooperate with Tencent in Tencent's investigation of the Group Companies, the Principal Business and the Contributed Assets.

Section 4.18 ESOP. The Parties agree that (a) the Company shall adopt an ESOP as soon as practicable following the Closing, (b) the Key Holder and the relevant Key Holder Parties shall cancel any and all options, restricted share units and other share incentive awards that have been granted to the Transferred Employees under the Key Holder's share incentive plan but have not become vested in accordance with the vesting schedule and other terms of the awards as of the date hereof, (c) following the Closing Date the Company shall, and shall cause the relevant Group Companies to, grant to such Transferred Employees whose share incentive awards have been cancelled as described in this Section 4.18 such number of share incentive awards of the Company under the ESOP with such exercise price, vesting schedule and other detailed terms as determined by the Board in accordance with the ESOP, and (d) the Company shall ensure that each Person who shall have received any Equity Securities of the Company pursuant to any options, restricted share units and any other share incentive awards granted to such Person under the ESOP grant an irrevocable voting proxy and power of attorney to the Key Holder, appointing the Key Holder as his attorney-in-fact with full power and authority to exercise the voting rights with respect to all of such Equity Securities in any vote of the shareholders of the Company or proposed action by written consent by the shareholders of the Company, and to make, execute and deliver all resolutions, consents and other writings and to do such things and to take such actions in each case to the extent the Key Holder considers necessary to exercise the voting rights.

ARTICLE V **INDEMNIFICATION**

Section 5.1 Survival of the Representations and Warranties. All representations and warranties made by the Key Holder or the Company to Tencent contained in Section 3.1 and Section 3.3 or by Tencent to the Key Holder and the Company contained in Section 3.4 shall survive for a period of 18 months following the Closing Date, save for the Fundamental Representations which shall survive until the expiration of the applicable statutory limitation periods and the Restructuring Representations which shall survive for a period of 18 months following the Restructuring Completion Date. Notwithstanding the foregoing, if an Indemnified Party asserts any claim in writing pursuant to Section 5.2 resulting from or arising out of an alleged breach of any such representation or warranty on or prior to the applicable expiration date of such representation or warranty, such representation or warranty shall survive, solely with respect to such asserted claim, until such claim has been finally resolved. The covenants and agreements of each Party contained in this Agreement shall survive the Closing until they are terminated, whether by the performance thereof, their respective express terms or as a matter of applicable Law.

Section 5.2 Indemnification.

(a) From and after the Closing, the Key Holder and the Company (each, an “Indemnifying Party”) shall indemnify and hold Tencent and its Affiliates (collectively, the “Indemnified Parties”) harmless from and against any losses, claims, damages, judgments, fines, obligations, expenses and Liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding, and any Taxes or levies that may be payable by such Person by reason of the indemnification of any indemnifiable loss hereunder (collectively, “Losses”), resulting from or arising out of (a) the breach of any representation or warranty of such Indemnifying Party contained in this Agreement or (b) the violation or non-performance, partial or total, of any covenant or agreement of such Indemnifying Party contained in this Agreement.

(b) From and after the Closing, the Indemnifying Parties shall indemnify and hold the Indemnified Parties harmless from and against any Losses, resulting from or arising out of the violation or non-performance of Section 4.8(d), Section 4.8(e) or Section 4.8(g).

Section 5.3 Third Party Claims.

(a) If any third party shall notify any Indemnified Party in writing with respect to any matter involving a claim by such third party (a “Third Party Claim”) which such Indemnified Party believes would give rise to a claim for indemnification against an Indemnifying Party under this Article V, then the Indemnified Party shall promptly following receipt of notice of such claim (i) notify the Indemnifying Party thereof in writing and (ii) transmit to the Indemnifying Party a written notice (a “Claim Notice”) describing in reasonable detail the nature of the Third Party Claim, a copy of all papers served with respect to such claim (if any) and the basis of the Indemnified Party’s request for indemnification under this Agreement. Notwithstanding the foregoing, no failure or delay in providing such Claim Notice shall constitute a waiver or otherwise modify the Indemnified Party’s right to indemnification hereunder, except to the extent that the Indemnifying Party shall have been prejudiced by such failure or delay. If the Indemnifying Party does not notify the Indemnified Party in writing within 30 days from receipt of such Claim Notice that the Indemnifying Party disputes such claim for indemnification under this Agreement, the Indemnifying Party shall be deemed to have accepted and agreed with such claim for indemnification under this Agreement.

(b) Upon the receipt of a Claim Notice with respect to a Third Party Claim, the Indemnifying Party shall have the right to assume the defense of any Third Party Claim by notifying the Indemnified Party in writing within 30 days of receipt of such Claim Notice that the Indemnifying Party elects to assume the defense of such Third Party Claim, and upon delivery of such notice by the Indemnifying Party, the Indemnifying Party shall have the right to fully control and settle the relevant proceeding; provided, that any such settlement shall be permitted hereunder only with the written consent of the Indemnified Party. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Third Party Claim if (i) the Third Party Claim relates to or arises in connection with any criminal action, (ii) the Third Party Claim seeks an injunction or equitable relief against any Indemnified Party, (iii) the Third Party Claim is or would reasonably be expected to result in Losses in excess of the amounts available for indemnification pursuant to this Article V or (iv) the Indemnifying Party has not acknowledged that such Third Party Claim is subject to indemnification pursuant to this Article V. If the Indemnifying Party assumes the defense of a Third Party Claim pursuant to this Section 5.3(b), the Indemnifying Party shall conduct such defense in good faith.

(c) If requested by the Indemnifying Party, the Indemnified Party shall, at the sole cost and expense of the Indemnifying Party, cooperate reasonably with the Indemnifying Party and its counsel in contesting any Third Party Claim which the Indemnifying Party elects to contest, including in connection with the making of any related counterclaim against the third party asserting the Third Party Claim or any cross complaint against any Person. The Indemnified Party shall have the right to receive copies of all pleadings, notices and communications with respect to such Third Party Claim, other than any privileged communications between the Indemnifying Party and its counsel, and shall be entitled, at its sole cost and expense, to retain separate co-counsel and participate in, but not control, any defense or settlement of any Third Party Claim assumed by the Indemnifying Party pursuant to Section 5.3(b).

(d) In the event of a Third Party Claim for which the Indemnifying Party elects not to assume the defense, fails to make such an election within 30 days of receipt of the relevant Claim Notice or otherwise fails to continue the defense of the Indemnified Party reasonably and in good faith, the Indemnified Party may, at its option, defend, settle, compromise or pay such action or claim at the expense of the Indemnifying Party.

Section 5.4 Other Claims. If any Indemnified Party has a claim against any Indemnifying Party hereunder which does not involve a Third Party Claim, the Indemnified Party shall promptly transmit to the Indemnifying Party a written notice (the "Indemnity Notice") describing in reasonable detail the nature of the claim, the Indemnified Party's best estimate of the amount of Losses attributable to such claim and the basis of the Indemnified Party's request for indemnification under this Agreement; provided, that no failure or delay in providing such Indemnity Notice shall constitute a waiver or otherwise modify the Indemnified Party's right to indemnification hereunder, except to the extent that the Indemnifying Party shall have been prejudiced by such failure or delay. If the Indemnifying Party does not notify the Indemnified Party within 30 days from its receipt of the Indemnity Notice that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim.

(a) Basket; Maximum Liability. Other than with respect to fraud or breach of any of the Fundamental Representations or Section 4.4, Section 4.6, Section 4.7, Section 4.8, Section 4.9, Section 4.10 or Section 4.15, (i) no Indemnifying Party shall be liable under Section 5.2(a) unless and until the aggregate amount of the relevant claim exceeds US\$250,000 (in which case the Indemnifying Party shall be responsible for the full amount of such claim, subject to Section 5.5(a)(ii)) and (ii) the maximum aggregate liability of the Indemnifying Parties towards the Indemnified Parties in respect of all Losses under Section 5.2(a) shall not exceed the Tencent Purchase Price.

(b) Double Claims. No Indemnifying Party shall be required to compensate any Indemnified Party more than once (whether under this Agreement or any other Transaction Document) in respect of the same Loss. For the avoidance of doubt and to avoid double recovery, if Tencent has exercised its right of redemption and received the Redemption Price (as defined under the Articles) with respect to any breach by any Group Company of any of the Transaction Documents pursuant to Article 46 through Article 50 of the Articles, the Indemnified Parties shall not be entitled to make any claim or recover any any losses, claims, damages, judgments, fines, obligations, expenses and Liabilities of any kind or nature whatsoever hereunder and under other Transaction Documents for the same breach.

(c) Exclusive Monetary Remedy. Notwithstanding any provision to the contrary in this Agreement, this Article V shall be the sole and exclusive monetary remedy of the Indemnified Parties for any claim arising out of or resulting from this Agreement. Nothing in this Article V or elsewhere in this Agreement shall affect the Parties' rights to specific performance or other equitable or non-monetary remedies with respect to the covenants and agreements in this Agreement.

(d) Mitigation. To the extent required by applicable Law, the relevant Indemnified Party shall mitigate any Losses for which the Indemnified Party makes claims under the Agreement; provided, that all costs of mitigation shall be taken into account in calculating the amount of Losses hereunder.

(e) Materiality. For purposes of this Article V, materiality, Material Adverse Effect and other similar qualifications contained in any representations and warranties shall be disregarded for the sole purposes of calculating the amount of Losses under this Article V.

ARTICLE VI MISCELLANEOUS

Section 6.1 Disclosure Schedule References. The Parties agree that any reference in a particular Section of the Disclosure Schedule shall be deemed to be an exception to or, as applicable, a disclosure for purposes of (i) the representations and warranties, or covenants, as applicable, of the relevant Party that are contained in the corresponding Section of this Agreement and (ii) any other representations and warranties of such Party that is contained in this Agreement, regardless of the absence of an express reference or cross reference thereto, but only if the relevant disclosure is fully and fairly disclosed and the relevance of that reference as an exception to or a disclosure for purposes of such representations and warranties would be reasonably apparent. The Parties acknowledge and agree that the Disclosure Schedule may include certain items and information solely for informational purposes for the convenience of Tencent, and the disclosure by the Company of any matter in the Disclosure Schedule shall not be deemed to constitute an acknowledgment by the Company that the matter is required to be disclosed by the terms of this Agreement or that the matter is material.

Section 6.2 Governing Law; Arbitration. This Agreement shall be governed by and interpreted in accordance with the laws of Hong Kong. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration at the Hong Kong International Arbitration Centre (the “HKIAC”) in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the relevant arbitration notice is received by the HKIAC. There shall be three arbitrators. The Key Holder and the Company collectively shall have the right to appoint one arbitrator, Tencent shall have the right to appoint one arbitrator and the third arbitrator shall be appointed by the HKIAC. The language to be used in the arbitration proceedings shall be English. Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including immunity to pre-award attachment, post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement or the Contemplated Transactions. The award of the arbitration tribunal shall be final and binding upon the Parties, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award. Any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

Section 6.3 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Parties.

Section 6.4 Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, each of the Parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 6.5 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned by any Party without the express written consent of the other Parties. Any purported assignment in violation of the foregoing sentence shall be null and void. Notwithstanding the foregoing, Tencent may assign its rights hereunder to any of its Affiliates.

Section 6.6 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) in writing and served by personal delivery upon the Party for whom it is intended, (b) if delivered by facsimile or electronic mail with receipt confirmed or (c) if delivered by certified mail, registered mail or courier service, return-receipt received, to the Party at the address set forth below:

If to the Key Holder, at:

Address:	Building 105, 10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing 100015, P.R. China
Attn:	Xiaojing Li
Email:	lixiaojing01@58ganji.com

With a copy (which shall not constitute notice) to:

Address: Skadden, Arps, Slate, Meagher & Flom LLP
c/o 42/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Attn: Z. Julie Gao
Facsimile: +852 3910 4863
Email: julie.gao@skadden.com

Address: Skadden, Arps, Slate, Meagher & Flom LLP
46/F, Jing An Kerry Centre, Tower II, 1539 Nanjing West Road, Shanghai 200040, P.R. China
Attn: Haiping Li
Facsimile: +86 21 6193 8310
Email: haiping.li@skadden.com

If to the Company, at:

Address: Building 101, 10 Jiuxianqiao North Road Jia, Chaoyang District, Beijing 100015, P.R. China
Attn: Wei Huang
Email: hw@58ganji.com

If to Tencent, at:

Address: c/o Tencent Holdings Limited
Level 29, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong
Attn.: Compliance and Transactions Department
E-mail: legalnotice@tencent.com

With a copy (which shall not constitute notice) to:

Address: Tencent Building, Keji Zhongyi Avenue, Hi-tech Park, Nanshan District, Shenzhen 518057, PRC
Attn.: Mergers and Acquisitions Department
E-mail: PD_Support@tencent.com

With a copy (which shall not constitute notice) to:

Address: Paul, Weiss, Rifkind, Wharton & Garrison LLP
12th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong
Attn: Jeanette K. Chan, Esq.
Facsimile: (852) 2840-4300
E-mail: jchan@paulweiss.com

Address: Paul, Weiss, Rifkind, Wharton & Garrison LLP
Unit 3601, Office Tower A, Beijing Fortune Plaza, No. 7 Dongsanhuan Zhonglu,
Chaoyang District, Beijing 100020, PRC
Attn: Judie Ng Shortell, Esq.
Facsimile: (86) 10-6530-9070/9080
Email: jngshortell@paulweiss.com

Any Party may change its address for purposes of this Section 6.6 by giving the other Parties written notice of the new address in the manner set forth above.

Section 6.7 Entire Agreement. This Agreement, together with the Schedules and Exhibits and the other Transaction Documents, constitutes the entire understanding and agreement among the Parties with respect to the matters covered hereby and thereby, and all prior agreements and understandings, oral or in writing, if any, among the Parties with respect to the matters covered hereby and thereby are superseded by this Agreement and the other Transaction Documents.

Section 6.8 Severability. If any provision of this Agreement is inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatsoever. If any provision of this Agreement shall be adjudged to be excessively broad as to duration, geographical scope, activity or subject, such provision shall be deemed modified to the minimum degree necessary to make such provision valid and enforceable under applicable Law and that such modified provision shall thereafter be enforced to the fullest extent possible.

Section 6.9 Fees and Expenses. Except as otherwise provided in this Agreement, the Parties will bear their respective expenses incurred in connection with the negotiation, preparation and execution of the Transaction Documents and the Contemplated Transactions, including fees and expenses of attorneys, accountants, consultants and financial advisors; provided, that if the Contemplated Transactions are consummated, then the Company shall bear all such expenses incurred by Tencent, up to an aggregate amount equal to US\$200,000.

Section 6.10 Confidentiality.

(a) Subject to Section 6.10(b) and Section 6.10(c), each Party shall keep confidential and shall not disclose to any Person the existence and provisions of any Transaction Document, the negotiations relating to any Transaction Document and any non-public material or information with respect to the business, technology, financial conditions or other aspects of the other Parties or their respective Affiliates (collectively, “Confidential Information”).

(b) Confidential Information shall not include any information that is (i) previously known on a non-confidential basis by the receiving Party, (ii) in the public domain through no fault of such receiving Party, its Affiliates or its or its Affiliates’ officers, directors or employees, (iii) received from a Person other than any of the other Parties or their respective representatives or agents, so long as such Person was not, to the best knowledge of the receiving Party, subject to a duty of confidentiality to such other Party or (iv) developed independently by the receiving Party without reference to confidential information of the disclosing Party.

(c) Notwithstanding Section 6.10(a):

(i) each of Tencent and the Key Holder and their respective Affiliates may disclose Confidential Information to the extent such disclosure is necessary in connection with its normal accounting or Tax reporting in respect of its investment in the Company as required by applicable accounting standards or Laws;

(ii) any Party may disclose Confidential Information to the extent that such disclosure is required under applicable Laws or any judicial or regulatory process or is requested by any Governmental Authority or other regulatory body, including the rules and requirements of the SEC and/or any securities exchange; provided, that such Party shall, to the extent permitted by Law and so far as it is practicable, provide the other Parties with prompt notice of such requirement or request and cooperate with the other Parties at such other Parties’ request and cost to enable such other Parties to seek an appropriate protection order or remedy; and

(iii) any Party may disclose Confidential Information to its Affiliates and its and its Affiliates’ respective officers, directors, employees, agents, professional advisors and representatives on a need-to-know basis; provided, that such Party shall use commercially reasonable efforts to ensure that each such Person to which it discloses Confidential Information strictly abides by the confidentiality obligations hereunder.

Section 6.11 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 6.12 Termination.

(a) This Agreement may be terminated at any time prior to the Closing:

(i) by the written consent of each of the Parties;

(ii) by any Party by written notice to the other Parties if the Closing shall not have occurred by June 30, 2017; provided, that no Party shall be permitted to terminate this Agreement pursuant to this Section 6.12(a)(ii) if the failure to consummate the Closing was proximately caused by the breach by such Party or its Affiliate of any representation, warranty or covenant in this Agreement;

(iii) by any Party by written notice to the other Parties if any Governmental Authority shall have issued any Order or taken any other action permanently restraining, enjoining, preventing, prohibiting or otherwise making illegal the consummation of the Contemplated Transactions and such Order or other action has become final and non-appealable; provided, that no Party shall be permitted to terminate this Agreement pursuant to this Section 6.12(a)(iii) if the imposition of such Order or other action was proximately caused by the breach by such Party or its Affiliate of any representation, warranty or covenant in this Agreement, the Framework Restructuring Agreement or any Restructuring Document;

(iv) by Tencent if there exists a breach of any representation or warranty of the Key Holder or the Company such that the condition set forth in Section 2.4(a)(i) would not be satisfied and such breach has not been cured, or is incapable of being cured, by the Key Holder or the Company (as the case may be) within 30 days following its receipt of notice from Tencent of such breach; or

(v) by the Key Holder or the Company if there exists a breach of any representation or warranty of Tencent such that the condition set forth in Section 2.4(b)(i) would not be satisfied and such breach has not been cured, or is incapable of being cured, by Tencent within 30 days following its receipt of notice from the Key Holder or the Company (as the case may be) of such breach.

(b) Upon the termination of this Agreement pursuant to this Section 6.12, this Agreement (other than Article I, Article V and this Article VI) shall become void and have no further force or effect; provided, that no such termination shall relieve any Party of liability for any breach of this Agreement prior to such termination.

Section 6.13 Joint and Several Liability. All representations and warranties made by the Key Holder or the Company in this Agreement are made by the Key Holder and the Company jointly and severally. The Key Holder shall cause the Company to perform all of the undertakings, covenants and agreements given or entered into by the Company in Sections 2.1, 4.3 (for the period between the date hereof and the Closing Date only), 4.7 (a), 4.7(b), 4.7(c) and 4.8(f).

Section 6.14 Third Party Rights. Except as provided in Section 5.2, a Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any term of, or enjoy any benefit under, this Agreement, provided that any Affiliate of Tencent that is not a company may not bring any claim directly against the Key Holder or the Company pursuant to this Agreement.

Section 6.15 Headings. The headings of the various Articles and Sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the Article or Section so designated.

Section 6.16 Execution in Counterparts. This Agreement may be executed in one or more counterparts, including counterparts transmitted by facsimile or e-mail, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Delivery of executed signature pages by facsimile or electronic transmission (via scanned PDF) by all Parties will constitute effective and binding execution and delivery of this Agreement.

Section 6.17 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

58.COM INC.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Authorized Signatory

MAGIC HEART INC.

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

ZHUAN SPIRIT HOLDINGS LIMITED

By: /s/ Jinbo Yao
Name: Jinbo Yao
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

TENCENT MOBILITY LIMITED

By: /s/ MA Huateng
Name: MA Huateng
Title: Authorized Signatory

List of Principal Subsidiaries and Consolidated Affiliated Entities of 58.com Inc.*

Name	Jurisdiction of Incorporation
Subsidiaries:	
China Classified Network Corporation	British Virgin Islands
China Classified Information Corporation Limited	Hong Kong
Beijing Chengshi Wanglin Information Technology Co., Ltd.	PRC
58 Tongcheng Information Technology Co., Ltd.	PRC
Ruiting Network Technology (Shanghai) Co., Ltd.	PRC
Anjuke Inc.	Cayman Islands
58.com Holdings Inc.	British Virgin Islands
Falcon View Technology	Cayman Islands
Beijing Yanguang Gudi Science Development Co., Ltd.	PRC
Consolidated Affiliated Entities and Their Subsidiaries:	
Beijing 58 Information Technology Co., Ltd.	PRC
Shanghai Ruijia Information Technology Co., Ltd.	PRC
58 Co., Ltd.	PRC
Beijing 58 Auto Technology Co., Ltd.	PRC
Beijing Shanjing Kechuang Network Technology Co., Ltd.	PRC
Unconsolidated Subsidiaries and Their Controlled Affiliates**:	
58 Daojia Inc.	British Virgin Islands
Beijing 58 Daojia Information Technology Co., Ltd.	PRC
Tianjin 58 Daojia Life Services Co., Ltd.	PRC

Note:

* The registrant has omitted from this list its other consolidated entities of the registrant that, in the aggregate, would not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X as of December 31, 2016.

** 58 Daojia Inc., or 58 Home, is the holding company of the PRC entities that operate 58 Home business. On November 27, 2015, 58 Daojia Inc. completed a Series A equity funding round, following which the Registrant holds 87.9% of the total outstanding ordinary shares of 58 Home and 61.7% of the total outstanding shares of 58 Home on an as-converted basis. As certain rights provided to the non-controlling Series A preferred shareholders of 58 Home would be viewed as substantive participating rights under U.S. GAAP, the Registrant has ceased consolidating the financial results of 58 Home in its consolidated financial statements in accordance with U.S. GAAP since November 27, 2015.

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

I, Jinbo Yao, certify that:

1. I have reviewed this Annual Report on Form 20-F of 58.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 period 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: May 1, 2017

/s/ Jinbo Yao

Name: Jinbo Yao
Title: Chief Executive Officer

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

I, Hao Zhou, certify that:

1. I have reviewed this Annual Report on Form 20-F of 58.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 period 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 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: May 1, 2017

/s/ Hao Zhou

Name: Hao Zhou
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of 58.com Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jinbo Yao, 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.

May 1, 2017

/s/ Jinbo Yao

Name: Jinbo Yao
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of 58.com Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hao Zhou, 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.

May 1, 2017

/s/ Hao Zhou

Name: Hao Zhou
Title: Chief Financial Officer



普华永道

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-194873 and File No. 333-205011) of 58.com Inc. of our report dated May 1, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
May 1, 2017

漢坤律師事務所
HAN KUN LAW OFFICES

Suite 906, Office Tower C1, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738, P. R. China

TEL: (86 10) 8525 5500; FAX: (86 10) 8525 5511 / 8525 5522

Date: May 1, 2017

58.com Inc.

Building 105, 10 Jiuxianqiao North Road Jia
Chaoyang District
Beijing 100015
People's Republic of China

Dear Sir/Madam:

We hereby consent to the use of our name and the summary of our opinion under the captions, "Risk Factors" in Item 3, "Organizational Structure" in Item 4 and "Financial Information" in Item 8, included in the annual report of 58.com Inc. on Form 20-F for the fiscal year ended December 31, 2016 (the "Annual Report"), which will be filed with the Securities and Exchange Commission on the date hereof, and further consent to the incorporation by reference of the summaries of our opinions under these captions into Registration Statements on Form S-8 (File No. 333-194873 and File No. 333-205011) of 58.com Inc. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

Very truly yours,

/s/ Han Kun Law Offices
Han Kun Law Offices
