



2011 Annual Report

**Dear Shareholders,**

Ctrip celebrated its 12th year birthday in December 2011. Two years into the second decade, we are very happy to witness the leisure travel taking off in China and becoming the main growth driver of the travel market. While we maintain solid leadership in the business travel market, competition is becoming increasingly fierce in the leisure travel market. To extend our leadership and to further penetrate the leisure market, we have stepped up investment in both product development and customer acquisition.

### **Extending leadership into leisure travel market**

Ctrip is widely recognized as the industry leader with the largest customer base, extensive vendor relationships, solid infrastructures, a trusted brand name and excellent financial strength. These advantages assure Ctrip's success as the undisputable leader in the business travel market and give it a strong foundation from which it can venture into the leisure travel market.

The past year marked a great start of Ctrip extending the leadership into the leisure travel market with significant investment in products, services and brand promotions. We actively expanded the variety, quantity and quality of the products in our marketplace across hotel, air, packaged tour and other businesses.

Understanding the growing demand for outbound hotel bookings, Ctrip expanded its international hotel coverage through multiple channels, including strategic cooperation with hotel chains like Marriott, Hilton and Shangri-La, leading global industry player such as Booking.com as well as other local key players. As a result of the strategic cooperation, Ctrip's hotel network now includes about 200,000 international hotels in addition to its over 39,000 domestic hotels.

Beyond the current scope, we are continuously generating new ways to create more values for both of our customers and business partners. Following the successful pilot, we officially launched the "Smart Choice Hotels" product at the end of 2011. With guaranteed quality and deep discounts, its opaque features have been well accepted by customers. This product is also welcomed by hotel partners as it brings the incremental volume while affords protection on hotel regular price structure. The addition of hostel booking website Songguo.com and vacation rental booking website Tujia.com enables Ctrip to offer a broader range of accommodation products targeting at different customer groups.

In April this year, we unveiled an upgraded international air ticketing channel. The new platform incorporates wider coverage of airlines and uses intelligent filtering to help customers easily search, compare and book complex multi-destination international flights online. We believe this was a breakthrough that marked a new era in China's international air ticketing market.

In 2011, Ctrip's air ticketing business continued to grow and outpace the industry average, and seized more market share. Ctrip has proven to be the most effective and efficient channel for airline partners in China. The team endeavored to further strengthen our cooperation with airlines and generated more compelling and dynamic products, such as direct promotional airline rates, early bird discounts and last minute ticket deals.

Our packaged tour business is positioned to take advantage of the booming leisure travel market, with outbound travel leading growth. In conjunction with Wing On Travel and EzTravel, we have built the most famous brand name among Chinese leisure travelers in Greater China with the strong worldwide travel service network. With comprehensive product offerings and reliable quality of service, we now offer thousands of packaged products at more than 300 destinations, from short distance domestic tours to long distance outbound tours, and from FIT packages to middle to high-end group packages. For the fourth time, TravelWeekly China awarded Ctrip the "Best Online Travel Agency of the Year" in 2012.

We are expanding the spectrum of our customer coverage from budget oriented travelers to include high-end customers. We have successfully organized two deluxe global tours for luxury travelers from mainland China, Hong Kong and Taiwan in the past two years in a roll, and seats to the third global tour that lasts 80 days and costs over RMB 1 million per person sold out in just 17 seconds upon release. It proves that we enjoy top-notch reputation and creditability among luxury travelers in China. Ctrip launched HHTravel.com, a new travel brand that primarily serves high-end travelers of Greater China with super deluxe tours. This new business is in the hands of the most experienced travel experts from Ctrip, Wing On travel in Hong Kong and EzTravel in Taiwan. HHTravel is already a leader of this emerging market. We are confident that HHTravel.com is well positioned to bring China's high-end travel market into a new era.

Our corporate travel management maintained robust growth, as more companies recognized the value of the superior service quality, extensive resources, and cost-effective travel solutions offered by Ctrip. Ctrip has accumulated extensive experience servicing large corporations, and has established a reputation as the industry leader. In November 2011, Ctrip was honored with the "Best Business Model of 2011" for innovative corporate travel management service for SMEs at the Best Business Model China Summit 2011.

### **Achieving the best service with the best support**

Superior customer service continues to be the focus of our daily operations. Despite efforts to automate tasks and improve efficiency, the call center still holds the key to ensuring quality customer service. Besides making reservations over the phone, our customers' contact with the service center is the back-bone of an operation that handles all online and offline reservation orders and provides post-sale customer service. We run 6-sigma to refine each operating process, which ensures the efficiency of our service quality.

In early May 2012, Ctrip and China Call Center & BPO Association jointly announced the launch of “Ctrip.com 4PS Contact Center Evaluation Process”. Ctrip is the only online travel service company to initiate 4PS evaluation in China. That’s how we win high customer loyalty, with around 80% of our revenue generated by existing customers every year. In five consecutive years, Ctrip won both “Golden Headset Award for the Best Contact Center in China” and the “China’s Best Contact Center” award.

We strive to provide the best online customer experience, most efficient payment methods and most relevant and reliable online travel information. During the past year, we upgraded the entire website with more user-friendly features and a more convenient search and booking design. Our team also made great efforts to enhance the edited content and pictures on the Ctrip website. We are glad to see that the online transactions are 45% of the total transactions, compared to close to 40% at the beginning of 2011, and both online traffic and reviews posted by travelers have increased significantly.

The mobile platform has been a key area for Ctrip’s business development. To date, we have released a mobile website and multiple apps for all major mobile and tablet operating systems. Ctrip’s travel app has become the most popular travel booking app in China with over 15 million downloads. Booking volume through this mobile platform has been reaching new records every quarter. We will continue to elevate the technology to seamlessly integrate our wireless, online and call center services.

## **Promoting the brand**

Although Ctrip is the most well-known travel brand in China, our market share in the overall travel industry is still very small. As we march into the leisure travel market, brand penetration is strategically important for our future growth. In China, leisure travelers are increasingly moving online and are usually more cost conscious. We increased our investment in online marketing while maintaining a balance among different sales and marketing channels. We are very open-minded in exploring new online channels such as social media, vertical search engines, web unions and online video. Supported with the best product and services, our goal is to introduce Ctrip to customers worldwide as the number one logical choice for their travel arrangements.

China’s leisure travel market, especially in the online area, is still in the early stages of development. The rapidly growing market attracts newcomers and competitors who use pricing wars to gain the initial footing. Our philosophy is to create the best values through continuing efforts of product innovation and efficiency improvement. We are determined to deploy the necessary resources to protect our price competitiveness in the market. We believe that Ctrip will advance past the competition and extend our leadership in the future.

## **Contributing to the society**

Ctrip is fully committed to giving back to society and endeavors to fulfill its corporate social responsibilities through daily activities. Ctrip's volunteer program actively organizes regular visits to help sick children, elderly, and destitute families. Since 2008, Ctrip and Ctrip's senior management have funded six HOPE schools in poverty areas. We also encourage our customers to travel green by granting "sapling points" through our carbon offset program. So far, over 2.5 million travelers have participated in the program and Ctrip has planted over 300,000 trees. In December 2011, Ctrip was awarded "China's Excellent Corporate Citizenship" by the China Committee of Corporate Citizenship.

## **Building the winning team**

Ctrip's success is built on our 16,100 talented, passionate and dedicated employees. Since the inception of the company in 1999, the Ctrip team has demonstrated the ability to deliver sharp strategies and to execute all while embracing an innovative spirit. Our employees are excited about the company's investments and what they may bring in the future. This year, the company launched the "Ctrip Innovation Program" as an experimental lab for internal innovations and we are proud and grateful to receive innovative ideas from our employees companywide.

## **Solid financial performance**

Despite the high comparison base in 2010, and intensive investments during the following year, the Ctrip team delivered a solid financial performance in 2011. Our net revenues grew 21% to RMB 3.5 billion (US \$556 million) from 2010. Net income attributable to Ctrip shareholders grew 3% to RMB 1.1 billion (US \$171 million) from 2010. The gross margin was 77%, the operating margin was 30%, with share-based compensation charges accounting for 10% of the net revenue. As per the year end of 2011, the balance of cash, restricted cash and short-term investment was RMB 5 billion (US \$795 million).

Revenue from hotel reservations contributed to about 40% of total revenue, reaching US\$236 million in 2011, increasing by 16% from 2010.

Revenue from air ticketing contributed to about 39% of total revenue, reaching US\$228 million in 2011, representing a 19% increase from 2010.

Revenue from the packaged tour business contributed 14% of our total revenue, reaching US\$85 million in 2011, a 41% increase from 2010.

Revenue from the corporate travel management business contributed 4% of our total revenue in 2011, reaching US\$26 million in 2011, a 25% increase from 2010.

In September 2011 and June 2012, Ctrip announced two new share repurchase programs approved by the board of directors in the amount of US\$100 million and US\$300 million respectively, in addition to the US\$15 million share repurchase plan approved in 2008. As of July 24, 2012, Ctrip cumulatively purchased approximately 11.3 million ADSs with a total consideration of US\$202 million from the open market under the three existing share repurchase plans adopted in 2008, 2011 and 2012.

### **Planting seeds for future growth**

Looking forward, Ctrip will continue making strategic investments in the coming years. With the big picture in mind, we are willing to live through the short-term profit challenges and focus on the competitiveness from long term perspective. Our mission is still the same as day one: building the most comprehensive one-stop travel service provider with the best customer service capabilities. Guided by the mission, we have won customer loyalty, built up a positive reputation, and elevated our leadership year after year. We believe we will continue to succeed with the unremitting pursuit of the best products, best services and the best prices for travelers.



---

---

**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, 2011  
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: 001-33853

**CTRIP.COM INTERNATIONAL, LTD.**

(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)

99 Fu Quan Road

Shanghai 200335

People's Republic of China

(Address of principal executive offices)

Min Fan, President and Chief Executive Officer

Telephone: +(8621) 3406-4880

Facsimile: +(8621) 5251-0000

99 Fu Quan Road

Shanghai 200335

People's Republic of China

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary shares, par value US\$0.01 per ordinary share	The NASDAQ Stock Market LLC* (The NASDAQ Global Select Market)

\* Not for trading but only in connection with the listing on the NASDAQ Global Select Market of American depositary shares, each representing 0.25 of an ordinary share.

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. 35,849,473 ordinary shares, par value \$0.01 per ordinary share

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 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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>	1
<u>FORWARD-LOOKING INFORMATION</u>	1
<u>PART I</u>	3
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	3
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	3
<u>ITEM 3. KEY INFORMATION</u>	3
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	20
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	30
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	30
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	45
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	54
<u>ITEM 8. FINANCIAL INFORMATION</u>	58
<u>ITEM 9. THE OFFER AND LISTING</u>	59
<u>ITEM 10. ADDITIONAL INFORMATION</u>	60
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	66
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	67
<u>PART II</u>	68
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	68
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	68
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	68
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	69
<u>ITEM 16B. CODE OF ETHICS</u>	69
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	69
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	69
<u>ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	70
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	70
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	70
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	70
<u>PART III</u>	70
<u>ITEM 17. FINANCIAL STATEMENTS</u>	70
<u>ITEM 18. FINANCIAL STATEMENTS</u>	70
<u>ITEM 19. EXHIBITS</u>	71

## INTRODUCTION

In this annual report, unless otherwise indicated,

(1) the terms “we,” “us,” “our company,” “our” and “Ctrip” refer to Ctrip.com International, Ltd., its predecessor entities and subsidiaries, and, in the context of describing our operations and consolidated financial information, also include its consolidated affiliated Chinese entities;

(2) “shares” and “ordinary shares” refer to our ordinary shares, par value of US\$0.01 per ordinary share;

(3) “ADSs” refers to our American depositary shares, four of which represent one ordinary share;

(4) “China” and “PRC” refer to the People’s Republic of China, and solely for the purpose of this annual report, exclude Taiwan, Hong Kong and Macau, and “Greater China” refers to the PRC, Taiwan, Hong Kong and Macau; and

(5) all references to “RMB” and “Renminbi” are to the legal currency of China and all references to “U.S. dollars,” “US\$,” “dollars” and “\$” are to the legal currency of the United States.

Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2009, 2010 and 2011.

On April 11, 2006, we effected a change of the ratio of our ADSs to ordinary shares from one (1) ADS representing two (2) ordinary shares to one (1) ADS representing one ordinary share. On July 31, 2007, we effected a change of the ratio of our ADSs to ordinary shares from one (1) ADS representing one ordinary share to two (2) ADSs representing one ordinary share. On January 21, 2010, we effected a change of the ratio of our ADSs to ordinary shares from two (2) ADSs representing one ordinary share to four (4) ADSs representing one ordinary share. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the changes in ratio for all periods presented.

## FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “may,” “will,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate,” “is/are likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things:

- our anticipated growth strategies;
- our future business development, results of operations and financial condition;
- our ability to continue to control costs and maintain profitability; and
- the expected growth in the overall economy and demand for travel services in China.

The forward-looking statements included in this annual report on Form 20-F are subject to risks, uncertainties and assumptions about our company. Our actual results of operations may differ materially from the forward-looking statements as a result of the risk factors described under “Item 3.D. Risk Factors,” included elsewhere in this annual report on Form 20-F, including the following risks:

- slow-down of economic growth in China and the global economic downturn may have a material and adverse effect on our business, and may materially and adversely affect our growth and profitability;

- general declines or disruptions in the travel industry may materially and adversely affect our business and results of operations;
- the trading price of our ADSs has been volatile historically and may continue to be volatile regardless of our operating performance;
- if we are unable to maintain existing relationships with travel suppliers and strategic alliances, or establish new arrangements with travel suppliers and strategic alliances similar to those we currently have, our business may suffer;
- if we fail to further increase our brand recognition, we may face difficulty in obtaining new business partners and customers, and our business may be harmed;
- if we do not compete successfully against new and existing competitors, we may lose our market share, and our business and results of operations may be materially and adversely affected;
- our business could suffer if we do not successfully manage current growth and potential future growth;
- our strategy to acquire or invest in complementary businesses and assets involves significant risks and uncertainty that may prevent us from achieving our objectives and harm our financial condition and results of operations;
- our quarterly results are likely to fluctuate because of seasonality in the travel industry in Greater China;
- our business may be harmed if our infrastructure and technology are damaged or otherwise fail or become obsolete;
- our business depends substantially on the continuing efforts of our key executives, and our business may be severely disrupted if we lose their services;
- inflation in China may disrupt our business and have an adverse effect on our financial condition and results of operations; and
- if the ownership structure of our affiliated Chinese entities and the contractual arrangements among us, our consolidated affiliated Chinese entities and their shareholders are found to be in violation of any PRC laws or regulations, we and/or our affiliated Chinese entities may be subject to fines and other penalties, which may adversely affect our business and results of operations.

These risks are not exhaustive. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. You should read these statements in conjunction with the risk factors disclosed in Item 3.D. of this annual report, “—Risk Factors,” and other risks outlined in our other filings with the Securities and Exchange Commission. Moreover, we operate in an emerging and evolving environment. New risk factors may emerge from time to time, and it is not possible 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 statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## 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

The following table presents the selected consolidated financial information for our business. You should read the following information in conjunction with “Item 5. Operating and Financial Review and Prospects,” below. The selected consolidated statement of operations data for the years ended December 31, 2009, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements and should be read in conjunction with those statements, which are included in this annual report beginning on page F-1. The selected consolidated statement of operations data for the years ended December 31, 2007 and 2008 and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements for these periods, which are not included in this annual report.

All ADS data have been retroactively adjusted to reflect the current ADS to ordinary share ratio for all periods presented.

	For the Year Ended December 31,					
	2007	2008	2009	2010	2011	2011
	RMB	RMB	RMB	RMB	RMB	US\$(2)
	(in thousands, except for per ordinary share data)					
<b>Consolidated Statement of Operation Data</b>						
Net revenues	1,199,111	1,482,004	1,988,007	2,881,233	3,498,085	555,790
Cost of revenues	(236,226)	(326,610)	(450,603)	(625,261)	(805,130)	(127,923)
Gross profit	962,885	1,155,394	1,537,404	2,255,972	2,692,955	427,867
Operating expenses						
Product development(1)	(177,302)	(235,800)	(308,452)	(453,853)	(601,485)	(95,566)
Sales and marketing(1)	(243,314)	(286,693)	(345,289)	(453,293)	(624,600)	(99,239)
General and administrative(1)	(137,944)	(171,694)	(196,297)	(294,701)	(400,876)	(63,693)
Total operating expenses	(558,560)	(694,187)	(850,038)	(1,201,847)	(1,626,961)	(258,498)
Income from operations	404,325	461,207	687,366	1,054,125	1,065,994	169,369
Net interest income and other income	52,001	86,045	78,194	136,712	223,627	35,531
Income before income tax expense equity in income of affiliates and noncontrolling interest	456,326	547,252	765,560	1,190,837	1,289,621	204,900
Income tax expense	(58,006)	(102,914)	(131,658)	(205,017)	(262,186)	(41,657)
Equity in income of affiliates	—	—	32,869	66,172	57,525	9,140
Net income	398,320	444,338	666,771	1,051,992	1,084,960	172,383
Less: Net loss / (income) attributable to noncontrolling interests	4	(230)	(7,797)	(3,922)	(8,545)	(1,358)
Net income attributable to Ctrip’s shareholders	398,324	444,108	658,974	1,048,070	1,076,415	171,025
<b>Earnings Per Ordinary Share Data:</b>						
Net income attributable to Ctrip’s shareholders	398,324	444,108	658,974	1,048,070	1,076,415	171,025
Earnings per ordinary share(3), basic	12.10	13.32	19.62	29.62	29.92	4.75
Earnings per ordinary share(3), diluted	11.67	12.90	18.69	27.89	28.30	4.50
Cash dividends per ordinary share paid(4)	2.11	3.38	—	—	—	—

As of December 31,					
2007	2008	2009	2010	2011	2011
RMB	RMB	RMB	RMB	RMB	US\$(2)

(in thousands)

#### Consolidated Balance Sheet Data:

Cash and cash equivalents	1,064,418	1,069,827	1,434,618	2,153,935	3,503,428	556,639
Restricted cash	6,600	6,600	113,150	224,179	211,636	33,626
Short-term investment	141,174	176,586	180,184	1,178,278	1,288,472	204,718
Accounts receivable, net	260,684	274,302	420,579	621,549	789,036	125,365
Other current assets	74,765	103,992	157,764	392,967	605,970	96,279
Non-current assets	577,303	1,010,142	1,850,465	3,545,296	3,362,893	534,309
Total assets	2,124,944	2,641,449	4,156,760	8,116,204	9,761,435	1,550,936
Current liabilities	672,041	626,037	1,158,542	1,880,898	2,568,060	408,024
Other non-current liabilities	1,625	813	11,510	45,383	48,309	7,675
Total Ctrip's shareholders' equity	1,450,119	2,011,971	2,925,048	6,103,693	7,042,295	1,118,908
Noncontrolling interests	1,159	2,628	61,660	86,230	102,771	16,329
Total shareholder's equity	1,451,278	2,014,599	2,986,708	6,189,923	7,145,066	1,135,237

(1) Share-based compensation was included in the related operating expense categories as follows:

For the Year Ended December 31,					
2007	2008	2009	2010	2011	2011
RMB	RMB	RMB	RMB	RMB	US\$(2)

(in thousands)

Product development	22,708	32,666	33,863	64,254	98,955	15,722
Sales and marketing	13,649	18,816	18,864	33,203	48,191	7,657
General and administrative	50,557	77,035	77,802	145,104	195,645	31,085

- (2) Translation from RMB amounts into U.S. dollars was made at a rate of RMB 6.2939 to US\$1.00. See "Exchange Rate Information."
- (3) Each ADS represents 0.25 of an ordinary share.
- (4) On July 14, 2006, we distributed dividends in the aggregate amount of RMB67 million to our shareholders of record as of June 30, 2006, at a dividend rate of RMB2.04, or US\$0.255, per ordinary share. On July 6, 2007, we distributed dividends in the aggregate amount of RMB72 million to our shareholders of record as of June 29, 2007, at a dividend rate of RMB2.11, or US\$0.277, per ordinary share. On July 7, 2008, we distributed dividends in the aggregate amount of RMB112 million to our shareholders of record as of June 12, 2008, at a dividend rate of RMB3.38, or US\$0.488, per ordinary share. The above U.S. dollar amounts were translated using the then prevailing exchange rate. We did not distribute any dividends to our shareholders in 2009, 2010 and 2011.

#### Exchange Rate Information

We have published our consolidated financial statements in RMB. Our business is primarily conducted in China in RMB. The conversion of RMB into U.S. dollars in this annual report is based on the certified exchange rate published by the Federal Reserve Board. For your convenience, this annual report contains translations of some RMB or U.S. dollar amounts for 2011 at US\$1.00 : RMB6.2939, which was the certified exchange rate in effect as of December 30, 2011. The certified exchange rate on March 23, 2012 was US\$1.00 : RMB6.3021. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. For all dates and periods through December 31, 2008, the conversion of RMB into U.S. dollars in this annual report is based on the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. For January 1, 2009 and all later dates and periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve Statistical Release.

Period	Period-End	Certified Exchange Rate		
		Average(1) (RMB per U.S. Dollar)	Low	High
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7689	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
September	6.3780	6.3885	6.3975	6.3780
October	6.3547	6.3710	6.3825	6.3534
November	6.3765	6.3564	6.3839	6.3400
December	6.2939	6.3482	6.3733	6.2939
2012				
January	6.3080	6.3119	6.3330	6.2940
February	6.2935	6.2997	6.3120	6.2935
March (through March 23, 2012)	6.3021	6.3145	6.3315	6.2982

- (1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant period.

#### B. Capitalization and Indebtedness

Not applicable.

#### C. Reasons for the Offer and Use of Proceeds

Not applicable.

#### D. Risk Factors

##### Risks Related to Our Company

***Our business is sensitive to global economic conditions. A severe or prolonged downturn in the global or Chinese economy may have a material and adverse effect on our business, and may materially and adversely affect our growth and profitability.***

The global financial markets have experienced significant disruptions since 2008, and most of the world's major economies have entered into recession. The recovery from the lows of 2008 and 2009 was uneven and the markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011. It is unclear whether the European sovereign debt crisis will be contained and what effects it may have in the future. There is considerable future uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China. There have also been concerns over unrest in the Middle East and Africa, which have resulted in higher oil prices and significant market volatility, and over the possibility of a war involving Iran. There have also been concerns about the economic effect of the earthquake, tsunami and nuclear crisis in Japan.

Economic conditions in China are sensitive to global economic conditions. Our business and operations are primarily based in China and the majority of our revenues are derived from our operations in China. Accordingly, our financial results have been, and are expected to continue to be, affected by the economy and travel industry in China. Although the economy in China has grown significantly in the past decades, any prolonged slowdown in the global and/or Chinese economy could reduce expenditures for travel, which in turn may adversely affect our operating results and financial condition. Although the Chinese economy has recovered in 2010 and remained relatively stable since then, it is uncertain whether such recovery will continue into the rest of 2012 and beyond. Since we derive the majority of our revenues from hotel reservation, air-ticketing and packaged-tour services in China, the economic slow-down in China negatively affected our operating results in the second half of 2008. Any severe or prolonged slow-down in the global and/or Chinese economy or the recurrence of any financial disruptions may materially and adversely affect our business, operating results and financial condition in a number of ways. For example, the weakness in the economy could erode consumer confidence which, in turn, could result in changes to consumer spending patterns relating to travel products and services. If consumer demand for travel products and services we offer decreases, our revenues may decline. Furthermore, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

***General declines or disruptions in the travel industry may materially and adversely affect our business and results of operations.***

Our business is significantly affected by the trends that occur in the travel industry in China, including the hotel, air ticketing and packaged-tour sectors. As the travel industry is highly sensitive to business and personal discretionary spending levels, it tends to decline during general economic downturns. The recent worldwide recession has led to a weakening in the demand for travel services. Other trends or events that tend to reduce travel and are likely to reduce our revenues include:

- an outbreak of H1N1 influenza, avian flu, severe acute respiratory syndrome, or SARS, or any other serious contagious diseases;
- increased prices in the hotel, air-ticketing, or other travel-related sectors;
- increased occurrence of travel-related accidents;
- natural disasters or poor weather conditions;
- terrorist attacks or threats of terrorist attacks or wars; and
- any travel restrictions or other security procedures implemented in connection with any major events in China.

We could be severely and adversely affected by declines or disruptions in the travel industry and, in many cases, have little or no control over the occurrence of such events. Such events could result in a decrease in demand for our travel services. This decrease in demand, depending on the scope and duration, could significantly and adversely affect our business and financial performance over the short and long term.

***The trading price of our ADSs has been volatile historically and may continue to be volatile regardless of our operating performance.***

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. In 2011, the trading prices of our ADSs on the Nasdaq Global Select Market ranged from US\$22.33 to US\$50.57 per ADS, and the closing price on March 28, 2012 was US\$21.99 per ADS. The price of our ADSs may fluctuate in response to a number of events and factors, including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities analysts;
- conditions in the Internet or travel industries;
- changes in the economic performance or market valuations of other Internet or travel companies;
- changes in the economic performance or market valuations of other companies that focus on the China market;
- announcements by us or our competitors of new products or services, significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- potential major litigation; and
- market and volume fluctuations in the stock market in general.

In addition, the stock market in general, and the market prices for Internet-related companies and companies with operations in China in particular have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of the securities of these China-based companies after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other China-based companies may also negatively affect the attitudes of investors towards China-based companies in general, including us, regardless of whether we have engaged in any inappropriate activities. In particular, the global financial crisis and the ensuing economic recessions in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009 and the second half of 2011. These broad market and industry fluctuations may adversely affect the price of our ADSs, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted share-based awards.

***If we are unable to maintain existing relationships with travel suppliers and strategic alliances, or establish new arrangements with travel suppliers and strategic alliances similar to those we currently have, our business may suffer.***

If we are unable to maintain satisfactory relationships with our existing hotel suppliers, or if our hotel suppliers establish similar or more favorable relationships with our competitors, or if our hotel suppliers increase their competition with us through their direct sales, our operating results and our business would be harmed, because we would not have the necessary supply of hotel rooms or hotel rooms at satisfactory rates to meet the needs of our customers, or because of reduced demand for our services. Our business depends significantly upon our ability to contract with hotels in advance for the guaranteed availability of certain hotel rooms. We rely on hotel suppliers to provide us with rooms at discounted prices. However, our contracts with our hotel suppliers are not exclusive and most of the contracts must be renewed semi-annually or annually. We cannot assure you that our hotel suppliers will renew our contracts in the future on terms similar to those we currently have agreed. Furthermore, in order to maintain and grow our business, we will need to establish new arrangements with hotels in our existing markets and in new markets. We cannot assure you that we will be able to identify appropriate hotels or enter into arrangements with those hotels on favorable terms, if at all. This failure could harm the growth of our business and adversely affect our operating results and financial condition, which consequently will impact the price of our ADSs.

We derive revenues and other significant benefits from our arrangements with major domestic airlines in China and international airlines operating flights originating from China. Our airline ticket suppliers allow us to book and sell tickets on their behalf and collect commissions on tickets booked and sold through us. Although we currently have supply relationships with these airlines, they also compete with us for ticket bookings and have entered into similar arrangements with many of our competitors and may continue to do so in the future. Such arrangements may be on better terms than we have. We cannot assure you that any of these airlines will continue to have supplier relationships with us. The loss of these supplier relationships would impair our operating results and financial condition as we would lose an increasingly significant source of our revenues.

Part of the revenues that we derive from our hotel suppliers, airline ticket suppliers and other travel service providers are obtained through our strategic alliances with various third parties. We cannot assure you, however, that we will be able to successfully establish and maintain strategic alliances with third parties which are effective and beneficial for our business. Our inability to do so could have a material adverse effect on our market penetration, revenue growth and profitability.

***If we fail to further increase our brand recognition, we may face difficulty in maintaining existing and acquiring new customers and business partners and our business may be harmed.***

We believe that maintaining and enhancing the Ctrip brand depends in part on our ability to grow our customer base and obtain new business partners. Some of our potential competitors already have well-established brands in the travel industry. The successful promotion of our brand will depend largely on our ability to maintain a sizeable and active customer base, maintain relationships with our business partners, provide high-quality customer service, properly address customer needs and handle customer complains and organize effective marketing and advertising programs. If our customer base significantly declines, the quality of our customer services substantially deteriorates, or our business partners cease to do business with us, we may not be able to cost-effectively maintain and promote our brand, and our business may be harmed.

***If we do not compete successfully against new and existing competitors, we may lose our market share, and our business may be materially and adversely affected.***

We compete primarily with other consolidators of hotel accommodations and flight reservation services based in China, such as eLong, Inc., and Mangocity.com. We also compete with traditional travel agencies and new Internet travel search websites, such as Qunar.com and Taobao.com. In the future, we may also face competition from new players in the hotel consolidation market in China and abroad that may enter China.

We may face more competition from hotels and airlines as they enter the discount rate market directly or through alliances with other travel consolidators. In addition, international travelers have become an increasingly important customer base. Competitors that have strategic alliances with overseas travel consolidators may have more effective channels to direct on-line booking requests to their websites for travel needs in China. Furthermore, like all other consolidators, we do not have exclusive arrangements with our travel suppliers. The combination of these factors means that potential entrants to our industry face relatively low entry barriers.

Our competitors may launch aggressive advertising campaigns, special promotions or engage in other marketing activities to promote their brands, acquire new customers or to increase their market shares. In response to such competitive pressure, we may have to take similar measures and as a result may incur significant expenses, which in turn could negatively affect our operating margins in the quarters or years when such promotional activities are carried out. Some of our existing and potential competitors may have competitive advantages, such as significantly greater financial, marketing and strategic relationships and alliances or other resources or name recognition, and may be able to imitate and adopt our business model. We cannot assure you that we will be able to successfully compete against new or existing competitors. In the event we are not able to compete successfully, our business, results of operations and profit margins may be materially and adversely affected.

***Our business could suffer if we do not successfully manage current growth and potential future growth.***

Our business has grown significantly as a result of both organic growth of existing operations and acquisitions. We have significantly expanded our operations and anticipate further expansion of our operations and workforce. Our growth to date has placed, and our anticipated future operations will continue to place, a significant strain on our management, systems and resources. In addition to training and managing our workforce, we will need to continue to improve and develop our financial and managerial controls and our reporting systems and procedures. We cannot assure you that we will be able to efficiently or effectively manage the growth of our operations, and any failure to do so may limit our future growth and hamper our business strategy.

***Our strategy to acquire or invest in complementary businesses and assets and establish strategic alliances involves significant risk and uncertainty that may prevent us from achieving our objectives and harm our financial condition and results of operations.***

As part of our plan to expand our product and service offerings, we have made and intend to make strategic acquisitions or investments in the highly fragmented travel service industries in Greater China and overseas. Our strategic acquisitions and investments could subject us to uncertainties and risks, including:

- high acquisition and financing costs;
- potential ongoing financial obligations and unforeseen or hidden liabilities;
- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;
- cost of, and difficulties in, integrating acquired businesses and managing a larger business;
- potential claims or litigation regarding our board's exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the board; and
- diversion of our resources and management attention.

Our failure to address these uncertainties and risks may have a material adverse effect on our financial condition and results of operations. In addition, we establish strategic alliances with various third parties to further our business purpose from time to time. 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.

We have invested through open market purchases and in a private placement transaction a total of US\$92 million in approximately 16% stake in Home Inns & Hotels Management Inc., or Home Inns, a leading economy hotel chain in China. The purchase prices were determined based on the trading prices of Home Inns' ADSs on the Nasdaq Global Market at the time of each open market purchase or the average closing prices of Home Inns' ADSs as stipulated in the relevant purchase agreement. If Home Inns experiences a net loss in the future, we would share the net loss of Home Inns proportionate to our equity interest. In March 2010, we invested a total of US\$67.5 million in approximately 9% stake in China Lodging Group, Limited, or Hanting, a leading economy hotel chain in China, through private placement transactions and purchases in Hanting's initial public offering. The purchase prices for shares acquired in both private placement transactions and the initial public offering equal to Hanting's initial public offering price. If the ADS price of Home Inns or Hanting declines and becomes lower than our share purchase price, we could incur impairment loss under U.S. GAAP, which in turn would adversely affect our financial results for the relevant periods.

In May 2010, we acquired 90% of the issued share capital of Wing On Travel's travel service segment (operated through Wing On Travel's subsidiary, HKWOT (BVI) Limited), for a total consideration of approximately US\$88 million in cash, and began to consolidate its financials since then. In February 2012, we acquired the remaining 10% of the issued share capital of Wing On Travel's travel service segment as operated through HKWOT (BVI) Limited, for a total consideration of approximately US\$9.4 million. We cannot assure you that we will be able to achieve the benefits we expected from such acquisitions or investments. Any actual or perceived failure to realize the benefits we expected from these acquisitions or investments may cause the trading price of our ADSs to decline.

***Our quarterly results are likely to fluctuate because of seasonality in the travel industry in Greater China.***

Our business experiences fluctuations, reflecting seasonal variations in demand for travel services. For example, the first quarter of each year generally contributes the lowest portion of our annual net revenues primarily due to a slowdown in business activity around and during the Chinese New Year holiday, which occurs during the period. Consequently, our results of operations may fluctuate from quarter to quarter.

***Our business may be harmed if our infrastructure and technology are damaged or otherwise fail or become obsolete.***

Substantially all of our computer and communications systems are located at two customer service centers, including one in Shanghai and the other one in Nantong, China. Therefore our computer and communication systems are vulnerable to damage or interruption from human error, computer viruses, fire, flood, power loss, telecommunications failure, physical or electronic break-ins, sabotage, vandalism, natural disasters and other similar events. We do not carry business interruption insurance to compensate us for losses that may occur.

We use an internally developed booking software system that supports nearly all aspects of our booking transactions. Our business may be harmed if we are unable to upgrade our systems and infrastructure quickly enough to accommodate future traffic levels, avoid obsolescence or successfully integrate any newly developed or purchased technology with our existing system. Capacity constraints could cause unanticipated system disruptions, slower response times, poor customer service, impaired quality and speed of reservations and confirmations and delays in reporting accurate financial and operating information. These factors could cause us to lose customers and suppliers, which would have a material adverse effect on our results of operations and financial condition.

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

Our future success depends heavily upon the continued services of our key executives. We rely on their expertise in business operations, finance and travel services and on their relationships with our suppliers, shareholders, and business partners. We do not maintain key-man life insurance for any of our key executives. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to easily replace them. In that case, our business may be severely disrupted, we may incur additional expenses to recruit and train personnel and our financial condition and results of operations may be materially and adversely affected.

In addition, if any of these key executives joins a competitor or forms a competing company, we may lose customers and suppliers. Each of our executive officers has entered into an employment agreement with us that contains confidentiality and non-competition provisions. If any disputes arise between our executive officers and us, we cannot assure you of the extent to which any of these agreements would be enforced in China, where most of these executive officers reside and hold most of their assets, in light of the uncertainties with China's legal system. See "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

***If we are unable to attract, train and retain key individuals and highly skilled employees, our business may be adversely affected.***

If our business continues to expand, we will need to hire additional employees, including travel supplier management personnel to maintain and expand our travel supplier network, information technology and engineering personnel to maintain and expand our websites, customer service centers and systems, and customer service representatives to serve an increasing number of customers. If we are unable to identify, attract, hire, train and retain sufficient employees in these areas, users of our websites and customer service centers may not have satisfactory experiences and may turn to our competitors, which may adversely affect our business and results of operations.

***The PRC government regulates the air-ticketing, travel agency, advertising and Internet industries. If we fail to obtain or maintain all pertinent permits and approvals or if the PRC government imposes more restrictions on these industries, our business may be adversely affected.***

The PRC government regulates the air-ticketing, travel agency, advertising and Internet industries. We are required to obtain applicable permits or approvals from different regulatory authorities to conduct our business, including separate licenses for value-added telecommunications, air-ticketing, advertising and travel agency activities. If we fail to obtain or maintain any of the required permits or approvals in the future, we may be subject to various penalties, such as fines or suspension of operations in these regulated businesses, which could severely disrupt our business operations. As a result, our financial condition and results of operations may be adversely affected.

In particular, the Civil Aviation Administration of China, or CAAC, together with National Development and Reform Commission, or NDRC, regulates pricing of air tickets. CAAC also supervises commissions payable to air-ticketing agencies together with China National Aviation Transportation Association, or CNATA. If restrictive policies are adopted by CAAC, NDRC, or CNATA, or any of their regional branches, our air-ticketing revenues may be adversely affected.

***We may not be able to prevent others from using our intellectual property, which may harm our business and expose us to litigation.***

We regard our domain names, trade names, trademarks and similar intellectual property as critical to our success. We try to protect our intellectual property rights by relying on trademark protection and confidentiality laws and contracts. Trademark and confidentiality protection in China may not be as effective as that in the United States. Policing unauthorized use of proprietary technology is difficult and expensive.

The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology. Any misappropriation could have a negative effect on our business and operating results. Furthermore, we may need to go to court to enforce our intellectual property rights. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

***We rely on services from third parties to carry out our business and to deliver our products to customers, and if there is any interruption or deterioration in the quality of these services, our customers may not continue using our services.***

We rely on third-party computer systems to host our websites, as well as third-party licenses for some of the software underlying our technology platform. In addition, we rely on third-party air-ticketing agencies to issue air tickets and travel insurance products, confirmations and deliveries in some cities in Greater China. We also rely on third party local operators to deliver on-site services to our packaged-tour customers. Any interruption in our ability to obtain the products or services of these or other third parties or deterioration in their performance, such as server errors or interruptions, could impair the timing and quality of our own service. If our service providers fail to provide high quality services in a timely manner to our customers or violate any applicable rules and regulations, our services will not meet the expectations of our customers and our reputation and brand will be damaged. Furthermore, if our arrangement with any of these third parties is terminated, we may not find an alternative source of support on a timely basis or on favorable terms to us.

***If our hotel suppliers or customers provide us with untrue information regarding our customers' stay, we may not be able to recognize and collect revenues to which we are entitled.***

A substantial portion of our revenues are represented by commissions which hotels pay us for room nights booked through us. Generally, we do not receive payment from our customers on behalf of our hotel suppliers, as our customers pay hotels directly. To confirm whether a customer adheres to the booked itinerary, we routinely make inquiries with the hotel and, occasionally, with the customer. We rely on the hotel and the customer to provide us truthful information regarding the customer's check-in and check-out dates, which forms the basis for calculating the commission we are entitled to receive from the hotel. If our hotel suppliers or customers provide us with untrue information with respect to our customers' length of stay at the hotels, we would not be able to collect revenues to which we are entitled. In addition, using such untrue information may lead to inaccurate business projections and plans, which may adversely affect our business planning and strategy.

***We may suffer losses if we are unable to predict the amount of inventory we will need to purchase during the peak holiday seasons.***

During the peak holiday seasons in China, we establish limited merchant business relationships with selected travel service suppliers, particularly for our packaged-tour products, in order to secure adequate supplies for our customers. In the merchant business relationship, we buy hotel rooms and/or air tickets before selling them to our customers and thereby incur inventory risk. If we are unable to correctly predict demand for hotel rooms and air tickets that we are committed to purchase, we would be responsible for covering the cost of the hotel rooms and air tickets we are unable to sell, and our financial condition and results of operations would be adversely affected.

***The recurrence of SARS and other similar outbreaks of contagious diseases as well as natural disasters may materially and adversely affect our business and operating results.***

In early 2003, several regions in Asia, including Hong Kong and China, were affected by the outbreak of SARS. The travel industry in China, Hong Kong and some other parts of Asia suffered tremendously as a result of the outbreak. Furthermore, in early 2008, severe snowstorms hit many areas of China and particularly affected southern China. The travel industry was severely and adversely affected during and after the snowstorms. Additionally, in May 2008, a major earthquake struck China's populous Sichuan Province, causing great loss of life, numerous injuries, property loss and disruption to the local economy. The earthquake had an immediate impact on our business as a result of the sharp decrease in travel in the relevant earthquake affected areas in Sichuan Province. In April 2009, an outbreak of H1N1 influenza (swine flu) occurred in Mexico and the United States and human cases of swine flu were and continue to be discovered in China and Hong Kong. In early 2011, the earthquake, tsunami and nuclear crisis in Japan also impacted the travel industry. Our business and operating results were adversely affected in all cases.

Any future outbreak of SARS or other contagious diseases, extreme unexpected bad weather or natural disasters would adversely affect our business and operating results. Ongoing concerns regarding contagious disease or natural disasters, particularly its effect on travel, could negatively impact our customers' desire to travel. If there is a recurrence of an outbreak of certain contagious diseases or natural disasters, travel to and from affected regions could be curtailed. Government advice regarding, or restrictions on, travel to and from these and other regions on account of an outbreak of any contagious disease or occurrence of natural disasters may have a material adverse effect on our business and operating results.

***If tax benefits available to our subsidiaries in China are reduced or repealed, our results of operations could suffer.***

Under the PRC Enterprise Income Tax Law, or the EIT Law, effective on January 1, 2008, foreign invested enterprises, or FIEs, and domestic enterprises are subject to EIT at a uniform rate of 25%. Certain enterprises will benefit from a preferential tax rate of 15% under the EIT Law if they qualify as "high and new technology enterprises," subject to certain general restrictions described in the EIT Law and the related regulations.

In December 2008, our PRC subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information were each designated by relevant local authorities as a "high and new technology enterprise" under the EIT Law with an effective period of three years. Therefore, these entities were entitled to enjoy a preferential tax rate of 15% from 2008 to 2011, as long as they maintain their qualifications for "high and new technology enterprises". These four entities re-applied for this qualification after the effective period expired in 2011 and their applications were approved by the relevant government authority. The "high and new technology enterprises" status of these entities is subject to review every three years and we cannot assure you that our subsidiaries will continue to qualify as high and new technology enterprises when they are subject to reevaluation in the future. In the event that the preferential tax treatment for them is discontinued, these entities will become subject to the standard tax rate at 25%, which would materially increase our tax obligations.

***We have sustained losses in the past and may experience earnings declines or net losses in the future.***

We sustained net losses in the periods prior to 2002. We cannot assure you that we can sustain profitability or avoid net losses in the future. We expect that our operating expenses will increase and the degree of increase in these expenses is largely based on anticipated growth, revenue trends and competitive pressure. As a result, any decrease or delay in generating additional sales volume and revenues and increase in our operating expenses may result in substantial operating losses.

***We may be subject to litigation regarding information provided on our websites, which may be time-consuming to defend.***

Our websites contain information about hotels, flights, popular vacation destinations and other travel-related topics. It is possible that if any information accessible on our websites contains errors or false or misleading information, third parties could take action against us for losses incurred in connection with the use of such information. Any such claims, with or without merit, could be time-consuming and costly to defend, result in litigation and divert management's attention and resources.

***We could be liable for breaches of security on our websites and fraudulent transactions by users of our websites.***

The Internet industry is facing significant challenges regarding information security and privacy, including the storage, transmission and sharing of confidential information. We conduct a portion of our transactions through our websites. In such transactions, secured transmission of confidential information (such as customers' itineraries, hotel and other reservation information, credit card information, personal information and billing addresses) over public networks and ensuring the confidentiality, integrity, availability and authenticity of the information of our users, customers, hotel suppliers and airline partners is essential to maintain their confidence in our online products and services. Our current security measures may not be adequate and advances in technology, increased levels of expertise of hackers, new discoveries in the field of cryptography or others could increase our vulnerability. In August 2011, China's Supreme People's Court and Supreme People's Procuratorate issued judicial interpretations regarding hacking and other Internet crimes. However, its effect on curbing hacking and other illegal online activities still remains to be seen.

Significant capital, managerial and human resources are required to enhance information security and to address any issues caused by security failures. If we are unable to protect our systems and the information stored in our systems from unauthorized access, use, disclosure, disruption, modification or destruction, such problems or security breaches may cause loss, expose us to litigation and possible liability to the owners of confidential information, disrupt our operations and may harm our reputation and ability to attract customers.

***We have limited business insurance coverage in Greater China.***

Insurance companies in Greater China offer limited business insurance products and generally do not, to our knowledge, offer business liability insurance. Business disruption insurance is available to a limited extent in Greater China, but we have determined that the risks of disruption, the cost of such insurance and the difficulties associated with acquiring such insurance make it impractical for us to have such insurance. We do not maintain insurance coverage for any kinds of business liabilities or disruptions and would have to bear the costs and expenses associated with any such events out of our own resources.

***We may face greater risks of doubtful accounts as our corporate travel business increases in scale.***

Since we began providing travel booking services to corporate customers who generally request credit terms, our accounts receivable have increased. We cannot assure you that we will be able to collect payment fully and in a timely manner on our outstanding accounts receivable from our corporate travel service customers. As a result, we may face a greater risk of non-payment of our accounts receivable and, as our corporate travel business grows in scale, we may need to make increased provisions for doubtful accounts. Our operating results and financial condition may be materially and adversely affected if we are unable to successfully manage our accounts receivable.

***As we have commenced accounting for employee share options using the fair value method beginning from 2006, such accounting treatment could continue to significantly reduce our net income.***

Since 2006, we have accounted for share-based compensation in accordance with ASC 718 "Stock Compensation," or ASC 718, which requires a public company to recognize, as an expense, the fair value of share options and other share-based compensation to employees based on the requisite service period of the share-based awards. Our board of directors has the discretion to change terms of any previously issued share options and any such change may significantly increase the amount of our share-based compensation expenses for the period that the change takes effect as well as those for any future periods. In February 2009, our board of directors approved to reduce the exercise price of all outstanding unvested options that were granted by us in 2007 and 2008 under our 2007 Plan to the then fair market value of our ordinary shares underlying such options and, in December 2009, our board of directors approved to extend the expiration dates of all stock options granted in 2005 and 2006 to eight years after the respective original grant dates of these options. As a result of such changes, our share-based compensation expense of 2009 reduced our diluted earnings per ADS by approximately US\$0.14. In February 2010, our compensation committee approved to extend the expiration dates of all stock options granted in and after 2007 to eight years after the respective original grant dates of these options. As a result of such changes, our share-based compensation expense of 2010 reduced our diluted earnings per ADS by approximately US\$0.06. The application of ASC 718 will continue to have a significant impact on our net income. In addition, future changes to various assumptions used to determine the fair value of awards issued or the amount and type of equity awards granted may also create uncertainty as to the amount of future share-based compensation expense.

***Failure to maintain effective internal control over financial reporting could result in errors in our published financial statements, which in turn could have a material adverse effect on the trading price of our ADSs.***

We are subject to the reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring public companies to include a report of management on the effectiveness of such companies' internal control over financial reporting in its annual report. In addition, an independent registered public accounting firm for a public company must issue an attestation report on the effectiveness of the company's internal control over financial reporting. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of December 31, 2011. In addition, our independent registered public accounting firm attested the effectiveness of our internal control and reported that our internal control over financial reporting was effective as of December 31, 2011. If we fail to maintain the effectiveness of our internal control over financial reporting, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, effective internal control over financial reporting is necessary for us to produce reliable financial reports. As a result, any failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could negatively impact the trading price of our ADSs. Furthermore, we may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

***We may need additional capital and we may not be able to obtain it.***

We believe that our current cash and cash equivalents, short-term investments, our cash flow from operations and proceeds from our financing activities will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. 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. 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. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. In particular, 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.

**Risks Related to Our Corporate Structure**

***PRC laws and regulations restrict foreign investment in the air-ticketing, travel agency, advertising and value-added telecommunications businesses, and substantial uncertainties exist with respect to the application and implementation of PRC laws and regulations.***

We are a Cayman Islands incorporated company and a foreign person under PRC law. Due to foreign ownership restrictions in the air-ticketing, travel agency, advertising and value-added telecommunications industries, we conduct part of our business through contractual arrangements with our affiliated Chinese entities. These entities hold the licenses and approvals that are essential for our business operations.

In the opinion of our PRC counsel, Commerce & Finance Law Offices, our current ownership structure, the ownership structure of our subsidiaries and our affiliated Chinese entities, the contractual arrangements among us, our subsidiaries, our affiliated Chinese entities and their shareholders, as described in this annual report, are in compliance with existing PRC laws, rules and regulations. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC legal counsel due to the lack of official interpretation and clear guidance.

If we and our affiliated Chinese entities are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation, levying fines, confiscating our income or the income of our affiliated Chinese entities, revoking our business licenses or the business licenses of our affiliated Chinese entities, requiring us and our affiliated Chinese entities to restructure our ownership structure or operations and requiring us or our affiliated Chinese entities to discontinue any portion or all of our value-added telecommunications, air-ticketing, travel agency or advertising businesses. In particular, if the PRC government authorities impose penalties which cause us to lose our rights to direct the activities of and receive economic benefits from our consolidated affiliated Chinese entities, we may lose the ability to consolidate and reflect in our financial statements the operation results of our consolidated affiliated Chinese entities. Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations.

Under the equity pledge agreements between our subsidiaries and the shareholders of our affiliated Chinese entities, the shareholders of our affiliated Chinese entities pledged their respective equity interests in these entities to our subsidiaries. Such pledges were duly created by recording the pledge in the relevant affiliated Chinese entities' register of shareholders in accordance with the PRC Collateral Law. However, according to the PRC Property Rights Law, effective as of October 1, 2007, and the Measures for the Registration of Equity Pledge with the Administration for Industry and Commerce, effective as of October 1, 2008, the effectiveness of the pledges will be denied if the pledges are not registered with the Administration for Industry and Commerce. Some of our affiliated Chinese entities and our subsidiaries are in the process of preparing the application forms and relevant documents for registration pursuant to the Measures for the Registration of Equity Pledge. Before such registration procedures are completed, we cannot assure you that the effectiveness of the pledges will be recognized by PRC courts if disputes arise on certain pledged equity interests or that our subsidiaries' interests as pledgees will prevail over those of third parties.

***If our affiliated Chinese entities violate our contractual arrangements with them, our business could be disrupted, our reputation may be harmed and we may have to resort to litigation to enforce our rights, which may be time-consuming and expensive.***

As the PRC government restricts foreign ownership of value-added telecommunications, air-ticketing, travel agency and advertising businesses in China, we depend on our affiliated Chinese entities, in which we have no ownership interest, to conduct part of our non-hotel reservation business activities through a series of contractual arrangements, which are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. Although we have been advised by our PRC counsel, Commerce & Finance Law Offices, that the contractual arrangements as described in this annual report are valid, binding and enforceable under current PRC laws, these arrangements are not as effective in providing control as direct ownership of these businesses. For example, our affiliated Chinese entities could violate our contractual arrangements with them by, among other things, failing to operate our air-ticketing, packaged-tour or advertising business in an acceptable manner or pay us for our consulting or other services. In any such event, we would have to rely on the PRC legal system for the enforcement of those agreements, which could have uncertain results. Any legal proceeding could result in the disruption of our business, damage to our reputation, diversion of our resources and incurrence of substantial costs. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

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

Our director, chief executive officer and president, Min Fan, our officers, Jianmin Zhu and Maohua Sun, and a family member of a senior officer, Fengying Zhang, were also the principal shareholders of our consolidated affiliated Chinese entities as of December 31, 2011. Thus, conflicts of interest between their duties to our company and our affiliated Chinese entities may arise. We cannot assure you that when conflicts of interest arise, these persons will act entirely in our interests or that the conflicts of interest will be resolved in our favor. In addition, these persons could violate their non-competition or employment agreements with us or their legal duties by diverting business opportunities from us to others, resulting in our loss of corporate opportunities. In any such event, we would have to rely on the PRC legal system for the enforcement of these agreements, which could have uncertain results. Any legal proceeding could result in the disruption of our business, diversion of our resources and incurrence of substantial costs. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

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

As a result of our corporate structure and the contractual arrangements between us and our affiliated Chinese entities, we are effectively subject to the 5% PRC business tax on both revenues generated by our affiliated Chinese entities' operations in China and revenues derived from our contractual arrangements with our affiliated Chinese entities. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our affiliated Chinese entities were not made on an arm's length basis and therefore constitute favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that our affiliated Chinese entities adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by increasing our affiliated Chinese entities' tax expenses without reducing our tax expenses, which could subject our affiliated Chinese entities to late payment fees and other penalties for underpayment of taxes, and/or result in the loss of the tax benefits available to our subsidiaries in China. The EIT Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates 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 arms' length principles. As a result, our contractual arrangements with our affiliated Chinese entities may result in adverse tax consequences to us.

***Our subsidiaries and affiliated Chinese entities in China 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 rely on dividends from our subsidiaries in China and consulting and other fees paid to us by our affiliated Chinese entities. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our subsidiaries in China are required to set aside 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 subsidiaries' registered capital. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries and affiliated Chinese entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

Pursuant to the EIT Law and a circular issued by the PRC Ministry of Finance and the PRC State Administration of Taxation, or the SAT, in February 2008, the dividends declared out of the profits earned after January 1, 2008 by an FIE to its immediate holding company outside China would be subject to a 10% withholding tax unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement, and certain supplementary requirements and procedures stipulated by SAT for such tax treaty are met and observed. Our subsidiaries in China are considered FIEs and are directly held by our subsidiary in Hong Kong. According to the currently effective tax treaty between China and Hong Kong, dividends payable by an FIE in China to a company in Hong Kong which directly holds at least 25% of the equity interests in the FIE will be subject to a withholding tax of 5%. In February 2009, the SAT issued a new notice, or Notice No. 81. According to Notice No. 81, in order to enjoy the preferential treatment on dividend withholding tax rates, an enterprise must be the "beneficial owner" of the relevant dividend income, and no enterprise is entitled to enjoy preferential treatment pursuant to any tax treaties if such enterprise qualifies for such preferential tax rates through any transaction or arrangement, the major purpose of which is to obtain such preferential tax treatment. The tax authority in charge has the right to make adjustments to the applicable tax rates, if it determines that any taxpayer has enjoyed preferential treatment under tax treaties as a result of such transaction or arrangement. In October 2009, the SAT issued another notice on this matter, or Notice No. 601, to provide guidance on the criteria to determine whether an enterprise qualifies as the "beneficial owner" of the PRC sourced income for the purpose of obtaining preferential treatment under tax treaties. Pursuant to Notice No. 601, the PRC tax authorities will review and grant tax preferential treatment on a case-by-case basis and adopt the "substance over form" principle in the review. Notice 601 specifies that a beneficial owner should generally carry out substantial business activities and own and have control over the income, the assets or other rights generating the income. Therefore, an agent or a conduit company will not be regarded as a beneficial owner of such income. Since the two notices were issued, it has remained unclear how the PRC tax authorities will implement them in practice and to what extent they will affect the dividend withholding tax rates for dividends distributed by our subsidiaries in China to our Hong Kong subsidiary. If the relevant tax authority determines that our Hong Kong subsidiary is a conduit company and does not qualify as the "beneficial owner" of the dividend income it receives from our PRC subsidiaries, the higher 10% withholding tax rate may apply to such dividends.

Under the EIT Law, an enterprise established outside of China with its "de facto management body" within China is considered a resident enterprise and will be subject to enterprise income tax at the rate of 25% on its worldwide income. The "de facto management body" is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. If the PRC tax authorities determine that we should be classified as a resident enterprise, our global income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the EIT Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company, like us, having indirect ownership interests in PRC enterprises through intermediary holding vehicles.

Moreover, under the EIT Law, foreign ADS holders may be subject to a 10% withholding tax upon dividends payable by a Chinese entity and gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is considered as income derived from within China. Any such tax will reduce the returns on your investment in our ADSs.

## **Risks Related to Doing Business in China**

***Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.***

The majority of our business operations are conducted in mainland China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past decades, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also 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 that are applicable to us. In addition, future measures to control the pace of economic growth may cause a decrease in the level of economic activity in China, which in turn could adversely affect our results of operations and financial condition.

***Inflation in China may disrupt our business and have an adverse effect on our financial condition and results of operations.***

The Chinese economy has experienced rapid expansion together with rising rates of inflation. Inflation may erode disposable incomes and consumer spending, which may have an adverse effect on the Chinese economy and lead to a reduction in business and leisure travel as the travel industry is highly sensitive to business and personal discretionary spending levels. This in turn could adversely impact our business, financial condition and results of operations.

***Future movements in exchange rates between the U.S. dollar and the RMB may adversely affect the value of our ADSs.***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. The conversion of the Renminbi into foreign currencies, including the U.S. dollar, has been based on rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. 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. As a consequence, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June, 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again. 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 majority of our revenues and costs are denominated in Renminbi, while a portion of our financial assets and our dividend payments are denominated in U.S. dollars. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk. Any significant revaluation of the Renminbi or the U.S. dollar may adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our ADSs. For example, an appreciation of the Renminbi against the U.S. dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. An appreciation of the Renminbi against the U.S. dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar-denominated financial assets into Renminbi, our reporting currency. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

***Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.***

Because the majority of our revenues are in the form of Renminbi, any restrictions on currency exchange may limit our ability to use revenues generated in Renminbi to fund our business activities outside China or to make dividend payments in U.S. dollars. The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules, as amended, or the Rules. Under the Rules, Renminbi is freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loan or investment in securities outside China unless the prior approval of the State Administration of Foreign Exchange, or SAFE, is obtained. Although the PRC government regulations now allow greater convertibility of Renminbi for current account transactions, significant restrictions still remain. For example, foreign exchange transactions under our subsidiaries' capital account, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval of SAFE. These limitations could affect our ability to obtain foreign exchange for capital expenditures. We cannot be certain that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of Renminbi, especially with respect to foreign exchange transactions.

***PRC regulations relating to the establishment of offshore special purpose companies by PRC residents and the grant of employee stock options by overseas-listed companies may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.***

SAFE issued a public notice, or Notice 75, in October 2005 requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equity interests in any onshore enterprise located in China, referred to in the notice as a "special purpose company." On May 20, 2011, SAFE promulgated the Implementation Guidelines for Foreign Exchange Administration of Financings and Return Investment by Onshore Residents Utilizing Offshore Special Purpose Companies, or the Guidelines, which become effective on July 1, 2011, clarifying certain implementation questions of Notice 75. According to Notice 75 and the Guidelines, any PRC resident who is a direct or indirect shareholder of a special purpose company is also required to file or update the registration with the local branch of SAFE, with respect to that special purpose company for any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger, division, long-term equity or debt investment or the creation of any security interest. Moreover, the PRC subsidiaries of that special purpose company are required to urge the PRC resident shareholders to update their SAFE registration with the local branch of SAFE when such updates are required under applicable SAFE regulations.

We have notified holders of ordinary shares of our company who we know are PRC residents to register with the local SAFE branch as required under the SAFE notice. The failure or inability of our shareholders resident in China to comply with the registration procedures set forth therein may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to our company or otherwise adversely affect our business.

On February 15, 2012, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Individuals Participating in an Employees Share Incentive Plan of an Overseas-Listed Company (which is replacing the old circular, "Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in an Employee Stock Holding Plan or Stock Option Plan of an Overseas-Listed Company", of 2007), or the new Share Incentive Rule. Under the new Share Incentive Rule, PRC citizens who participate in a share incentive plan of an overseas publicly listed company are required to register with SAFE and complete certain other procedures. All such participants need to retain a PRC agent through PRC subsidiary to register with SAFE and handle foreign exchange matters such as opening accounts, transferring and settlement of the relevant proceeds. The Rule further requires that an offshore agent should also be designated to handle matters in connection with the exercise or sale of share options and proceeds transferring for the share incentive plan participants. We and our PRC employees who have been granted stock options are subject to the Share Incentive Rule. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal sanctions.

***Online payment systems in China are at an early stage of development and may restrict our ability to expand our online commerce business.***

Online payment systems in China are at an early stage of development. Although major Chinese banks are instituting online payment systems, these systems are not as widely acceptable to consumers in China as in the United States and other developed countries. The lack of wide acceptance of online payment systems and concerns regarding the adequacy of system security may limit the number of online commercial transactions that we can service. If online payment services and their security capabilities are not significantly enhanced, our ability to grow our online commerce business may be limited.

The Internet market has not been proven as an effective commercial medium in China. The market for Internet products and services in China has only recently begun to develop. The Internet penetration rate in China is lower than those in the United States and other developed countries. Since the Internet is an unproven medium for commerce in China, our future operating results from online services will depend substantially upon the increased use and acceptance of the Internet for distribution of products and services and facilitation of commerce in China.

The Internet may not become a viable commercial marketplace in China for various reasons in the foreseeable future. More salient impediments to Internet development in China include:

- consumer dependence on traditional means of commerce;
- inexperience with the Internet as a sales and distribution channel;
- inadequate development of the necessary infrastructure to facilitate online commerce;
- concerns about security, reliability, cost, ease of deployment, administration and quality of service associated with conducting business and settling payment over the Internet;

- inexperience with credit card usage or with other means of electronic payment; and
- limited use of personal computers.

If the Internet is not widely accepted as a medium for online commerce in China, our ability to grow our online business would be impeded.

***Uncertainties with respect to the PRC legal system could adversely affect us.***

We conduct our business primarily through our wholly owned subsidiaries incorporated in China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign owned enterprises. In addition, we depend on several affiliated Chinese entities in China to honor their service agreements with us. Almost all of these agreements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system is still evolving, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit remedies available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. If we and our affiliated Chinese entities are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including restructuring. See “Risks Related to Our Corporate Structure—PRC laws and regulations restrict foreign investment in the air-ticketing, travel agency, advertising and value-added telecommunications businesses, and substantial uncertainties exist with respect to the application and implementation of PRC laws and regulations.”

***We have attempted to comply with the PRC government regulations regarding licensing requirements by entering into a series of agreements with our affiliated Chinese entities. If the PRC laws and regulations change, our business in China may be adversely affected.***

To comply with the PRC government regulations regarding licensing requirements, we have entered into a series of agreements with our affiliated Chinese entities to exert our operational control over them and secure consulting fees and other payments from them. Although we have been advised by our PRC counsel, Commerce & Finance Law Offices, that our contractual arrangements with our affiliated Chinese entities are valid under current PRC law and regulations, as there is substantial uncertainty regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC government would agree with our counsels’ position or that we will not be required to restructure our organizational structure and operations in China to comply with changing and new PRC laws and regulations. Restructuring of our operations may result in disruption of our business, diversion of management attention and the incurrence of substantial costs.

***The continued growth of the Chinese Internet market depends on the establishment of an adequate telecommunications infrastructure.***

Although private sector Internet service providers currently exist in China, almost all access to the Internet is maintained through state-owned telecommunication operations under the administrative control and regulatory supervision of China’s Ministry of Industry and Information Technology. In addition, the national networks in China connect to the Internet through government-controlled international gateways. These international gateways are the only channels through which a domestic Chinese user can connect to the international Internet network. We rely on this infrastructure, primarily China Telecom and China Unicom, to provide data communications capacity. Although the government has announced plans to aggressively develop the national information infrastructure, we cannot assure you that this infrastructure will be developed. In addition, we will have no access to alternative networks and services, on a timely basis if at all, in the event of any infrastructure disruption or failure. The Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

**Risks Related to Our Ordinary Shares and ADSs**

***The future sales by our existing shareholders of a substantial number of our ADSs in the public market could adversely affect the price of our ADSs.***

If our existing shareholders sell substantial amounts of our ADSs, including those issued upon the exercise of outstanding options, in the public market, the market price of our ADSs could fall. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. Any future sales of a substantial number of our ADSs in the public market could adversely affect the price of our ADSs.

***You may face difficulties in protecting your interests, and our ability to protect our rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law.***

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2011 Revision) and common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States. Therefore, our public shareholders may have more difficulties in protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

***Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, may be limited because we are incorporated in the Cayman Islands, and because we conduct the majority of our operations in China and because the majority of our directors and officers reside outside of the United States.***

We are incorporated in the Cayman Islands, and we conduct the majority of our operations in China through our wholly owned subsidiaries and several affiliated Chinese entities in China. Most of our directors and officers reside outside of the United States and most of the assets of those persons are located outside of the United States. As a result, it may be difficult for you to bring an action in the United States upon these persons. It may also be difficult for you to enforce in United States courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands or China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***You may not be able to exercise your right to vote.***

As a holder of ADSs, you may instruct the depository of our ADSs to vote the shares underlying your ADSs. Otherwise, you will not be able to exercise your right to vote unless you withdraw the ordinary shares. However, you may not know about the meeting enough in advance to withdraw the ordinary shares. If we ask for your instructions, the depository will notify you of the upcoming vote and 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 depository to vote your shares. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the shares underlying your ADSs are not voted as you requested.

Under our deposit agreement, the depository will give us a discretionary proxy to vote the ordinary shares underlying your ADSs at shareholders' meetings if you do not vote, unless we have instructed the depository that we do not wish a discretionary proxy to be given or any of the other situations specified under the deposit agreement takes place. The effect of this discretionary proxy is that you cannot prevent ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

***Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.***

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act of 1933, as amended, or the Securities Act, or an exemption from the registration requirements is available. Also, under the deposit agreement, the depository bank will not make those rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

***You may not receive distributions on ordinary shares or 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 ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of 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. We have no obligation to register ADSs, ordinary shares, rights or other securities under U.S. securities laws. 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 the distribution 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 have a material adverse effect on the value of your ADSs.

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

Your ADSs represented by the ADRs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary thinks it 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.

***Provisions of our shareholder rights plan could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our shareholders.***

In November 2007, we adopted a shareholder rights plan. Although the rights plan will not prevent a takeover, it is intended to encourage anyone seeking to acquire our company to negotiate with our board of directors prior to attempting a takeover by potentially significantly diluting an acquirer's ownership interest in our outstanding capital stock. The existence of the rights plan may also discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our ADSs.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### ***A. History and Development of the Company***

We commenced our business in June 1999. In March 2000, we established a new holding company, Ctrip.com International, Ltd., in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Since our inception, we have conducted the majority of our operations in China and expanded our operations overseas in 2009. As of December 31, 2011, we mainly operated our business through the following significant subsidiaries:

- C-Travel International Limited;
- Ctrip.com (Hong Kong) Limited;
- Ctrip Computer Technology (Shanghai) Co., Ltd., or Ctrip Computer Technology;
- Ctrip Travel Information Technology (Shanghai) Co., Ltd., or Ctrip Travel Information;
- Ctrip Travel Network Technology (Shanghai) Co., Ltd., or Ctrip Travel Network; and
- Ctrip Information Technology (Nantong) Co., Ltd., or Ctrip Information Technology.

We also conduct part of our business in China primarily through the following significant affiliated Chinese entities:

- Shanghai Ctrip Commerce Co., Ltd., or Ctrip Commerce, which holds value-added telecommunications business license;
- Shanghai Huacheng Southwest Travel Agency Co., Ltd., or Shanghai Huacheng, which holds domestic travel agency and air transport sales agency licenses;
- Shanghai Ctrip International Travel Agency Co., Ltd., or Shanghai Ctrip, formerly known as Shanghai Ctrip Charming International Travel Agency Co., Ltd., which holds domestic and cross-border travel agency and air transport sales agency licenses.

- Beijing Ctrip International Travel Agency Co., Ltd., or Beijing Ctrip, which holds an air transport sales agency license, domestic and cross-border travel agency license;
- Chengdu Ctrip Travel Service Co Ltd, or Chendu Ctrip, which holds air transport sales agency license and domestic travel agency license; and
- Chengdu Ctrip International Travel Service co., Ltd, or Chengdu Ctrip International, which holds domestic and cross-border travel agency licenses, air transport sales agency license.

We formed Home Inns & Hotels Management (Hong Kong) Limited, or Home Inns Hong Kong, in 2001 to expand our business to include the hotel management service. We spun off all of our interest in Home Inns Hong Kong in August 2003. Home Inns Hong Kong became a wholly owned subsidiary of Home Inns in June 2006. Home Inns undertook an initial public offering and its ADSs were listed on the Nasdaq Global Market in October 2006. During the period from September 12, 2008 to March 31, 2009, we purchased ADSs of Home Inns on the open market representing approximately 10% of the then total outstanding ordinary shares of Home Inns. In May 2009, we entered into a purchase agreement with Home Inns to acquire additional equity interest in Home Inns through a private placement of its ordinary shares for \$50 million in cash. In connection with this private placement, we have also obtained certain demand, piggyback and Form F-3 registration rights from Home Inns. Our aggregate equity interest in Home Inns was approximately 16% of the total outstanding ordinary shares of Home Inns as of December 31, 2011.

In March 2006, we formed a wholly owned subsidiary, C-Travel International Limited, an exempted company with limited liability incorporated in the Cayman Islands, in connection with our investment in a minority stake in ezTravel Co., Ltd., or ezTravel, an online travel service provider in Taiwan that offers packaged tours as well as hotel and airline ticket reservation services. In 2009, we consolidated ezTravel's operating results as we had a controlling financial interest of ezTravel. The financial results of ezTravel are not significant to our company in the year ended December 31, 2011.

In April 2007, we formed a new wholly owned subsidiary, Ctrip Information Technology, in the PRC, in connection with the construction of our second customer service center in Nantong, Jiangsu Province, in anticipation of future business expansion.

In March 2010, we entered into a subscription agreement with China Lodging Group and a share purchase agreement with certain selling shareholders of China Lodging Group, pursuant to which we acquired an aggregate of 18,849,446 shares of China Lodging Group at a purchase price of \$3.0625 per share, or a total consideration of \$57.7 million in cash. In connection with this private placement, we have also obtained certain demand, piggyback and Form F-3 registration rights from China Lodging Group. In addition, in the same month we purchased 800,000 ADSs representing 3,200,000 shares of China Lodging Group in its initial public offering at a purchase price of \$3.0625 per share, or a total purchase price of \$9.8 million.

In May 2010, pursuant to a sale and purchase agreement dated February 3, 2010 among Wing On Travel (Holdings) Limited, C-Travel International Limited and Ctrip. com International, Ltd., we acquired 90% of the issued share capital of Wing On Travel's travel service segment (operated through Wing On Travel's subsidiary, HKWOT (BVI) Limited), for a total consideration of approximately US\$88 million in cash, and began to consolidate its financial results since then. The financial results of Wing On Travel were not significant to our company in the year ended December 31, 2011. In February 2012, we entered into a sale and purchase agreement to purchase the remaining 10% of the issued share capital of HKWOT (BVI) Limited for a total consideration of US\$9.4 million; as of the date of this annual report, US\$9.2 million has been paid in cash and the remaining balance shall be paid in cash on the first anniversary of the date of completion as defined in the sale and purchase agreement.

From time to time, we selectively acquired or invested in businesses that complement our existing business, and will continue to do so in the future. Other than disclosed in this annual report on Form 20-F, no acquisitions or investments was material to our businesses or financial results at the time we made the acquisition or investment.

Our principal executive offices are located at 99 Fu Quan Road, Shanghai 200335, People's Republic of China, and our telephone number is (86-21) 3406-4880. Our agent for service of process in the United States is CT Corporation System. Our principal website address is [www.ctrip.com](http://www.ctrip.com). The information on our websites should not be deemed to be part of this annual report.

## B. Business Overview

We are a leading travel service provider for hotel accommodations, airline tickets and packaged tours in China. We aggregate information on hotels and flights and enable our customers to make informed and cost-effective hotel and flight bookings. We also sell packaged tours that include transportation and accommodations, as well as guided tours in some instances. Since commencing operations in 1999, we have become one of the best-known travel brands in China. We pioneered the development of a reservation and fulfillment infrastructure that enables our customers to:

- choose and reserve hotel rooms in cities throughout China and selected cities abroad;
- book and purchase air tickets for domestic flights and international flights originating in China; and
- choose and reserve packaged tours that include transportation and accommodations, as well as guided tours in some instances.

We target our services primarily at business and leisure travelers in China who do not travel in groups. These types of travelers, who are referred to in the travel industry as FITs (frequent independent travelers) and whom we refer to as independent travelers in this annual report, form a traditionally under-served yet fast-growing segment of the China travel market. We act as an agent in substantially all of our transactions and generally do not take inventory risks with respect to the hotel rooms and airline tickets booked through us. We derive our hotel reservation, air-ticketing and packaged-tour revenues mainly through commissions from our travel suppliers, primarily based on the transaction value of the rooms, airline tickets and packaged-tour products, respectively, booked through our services.

We believe that we are the largest consolidator of hotel accommodations in China in terms of the number of room nights booked. As of December 31, 2011, we had secured room supply relationships with approximately 25,000 hotels in China and approximately 21,000 hotels abroad, which cover a broad range of hotels in terms of price and geographical location. As of December 31, 2011, we had guaranteed room allotments, which allow us to sell hotel rooms to our customers even during peak seasons and provide instant confirmation, with approximately 70% of the hotels in China with whom we have a supply relationship. Rooms booked in hotels with guaranteed allotment arrangement accounted for over 85% of our hotel transactions for the year ended December 31, 2011. The quality and depth of our hotel supplier network enable us to offer our customers a wide selection of hotel accommodations. We believe our ability to offer reservations at highly rated hotels is particularly appealing to our customers. Revenues from our bookings for three-, four-, five-star and equivalent hotels comprised over 80% of our revenues from our hotel reservation business in 2011.

We believe that we are the largest consolidator of airline tickets in China in terms of the total number of airline tickets booked and sold. Our airline ticket suppliers include all major Chinese airlines and many international airlines that operate flights originating in China. We are among the few airline ticket consolidators in China that maintain a centralized reservation system and ticket fulfillment infrastructure covering substantially all of the economically prosperous regions of China. Our customers can make flight reservations on their chosen routes and arrange ticket payment and delivery through our ticketing offices and third-party agencies located in over 60 major cities in China.

We also offer independent leisure travelers bundled packaged-tour products, including group tours, semi-group tours and private tours or packaged tours with different transportation arrangements, such as cruise, bus or self-driving. We provide integrated transportation and accommodation services and offer a variety of value-added services including car rental, insurance, visa services, tour guides, transportation at destinations and tickets. We offer customers one-stop services to meet their booking and traveling needs. We also provide high quality customer service, supplier management and customer relationship management. Our services currently cover more than 60 departing cities in China.

We offer our services to customers through an advanced transaction and service platform consisting of our centralized, 24-hour customer service centers and bilingual websites. In 2011, transactions effected through our customer service centers accounted for approximately 60% of our transaction volume, while our websites accounted for the balance.

Our revenues are primarily generated from the hotel reservation, air-ticketing and packaged-tour services. For information on revenues attributable to our different products, see “Item 5.A. Operating Results.”

### **Products and Services**

We began offering hotel reservation and air-ticketing services in October 1999. In 2011, we derived approximately 40% of our revenues from the hotel reservation business and 39% of our revenues from the air-ticketing business. In addition, we offer other products and services including packaged tours, mostly bundled by us, that cover hotel, air tickets and transportation.

*Hotel Reservations.* We act as an agent in substantially all of our hotel-related transactions. Our customers receive confirmed bookings and generally pay the hotels directly upon completion of their stays. In general, we pay no penalty to the hotels if our customers do not check in. For some of our hotel suppliers, we earn pre-negotiated fixed commissions on hotel rooms we sell. For other hotels, we have commission arrangements that we refer to as the “ratchet system,” whereby our commission rate per room night is adjusted upward with the increase in the volume of room nights we sell for such hotel during such month.

We contract with hotels for rooms under two agency models, the “guaranteed allotment” model and the “on-request” model. Under our agreements with our hotel suppliers, hotels are generally required to offer us prices that are equal to or lower than their published prices, and notify us in advance if they have promotional sales, so that we can lower our prices accordingly.

In addition to the agreements that we enter into with all of our hotel suppliers, we enter into a supplemental agreement with each of the hotel suppliers with which we have a guaranteed allotment arrangement. Pursuant to this agreement, a hotel guarantees us a specified number of available rooms every day, allowing us to provide instant confirmations on such rooms to our customers before notifying the hotel. The hotel is required to notify us in advance if it will not be able to make the guaranteed rooms available to our customers due to reasons beyond its control.

As of December 31, 2011, we had contracted with approximately 25,000 hotels in China, of which approximately 17,000 hotels have guaranteed room allotments, allowing us to sell rooms to our customers even during peak seasons and provide instant confirmation. Rooms booked in hotels with which we have a guaranteed allotment arrangement currently account for a majority of our total hotel room transaction volume. With the remaining hotel suppliers, we book rooms on an “on-request” basis, meaning our ability to secure hotel rooms for our customers is subject to room availability at the time of booking. Our business development team is expected to continue to increase guaranteed room allotment arrangements with our hotel suppliers.

*Air-ticketing.* We sell air tickets as an agent for all major domestic Chinese airlines, such as Air China, China Eastern Airlines, China Southern Airlines and Hainan Airlines and many international airlines operating flights that originate from cities in China, such as Dragon Air, Singapore Airlines, United Airlines, Lufthansa, Emirates Airlines, Qantas Airways, Air France-KLM and Delta Air Lines. We also provide other related service to our customers, such as sales of aviation insurance and air-ticket delivery services.

In air-ticketing transactions, a customer can pay for the airline tickets to the ticket delivery agent upon delivery of the ticket or make electronic payment through our websites and toll-free customer service centers when booking the ticket. The customer also has the option of picking up a ticket at the ticketing office or obtaining an electronic ticket. Generally, the customer pays a penalty to the airline if he or she cancels the ticket for the flight. In 2006, China began to operate on a large scale an electronic ticketing, or E-ticketing, system for air travel within China and abroad. We believe that E-ticketing allows our consumers to book air tickets and complete their trips more conveniently. In addition, we believe that E-ticketing allows us to execute air-ticketing transactions more efficiently and also makes our business expansion into second-tier cities easier and more efficient. The airline industry, including airline ticket pricing, is regulated by CAAC. Therefore, we have no discretion in offering discounts on the air tickets we sell.

*Packaged tour.* We also offer independent leisure travelers bundled packaged-tour products, including group tours, semi-group tours and private tours or packaged tours with different transportation arrangements, such as cruise, bus and self-driving. We provide integrated transportation and accommodations services and offer a variety of value-added services including car rental, insurance, visa services, tour guides, transportation at destinations and tickets. We offer customers one-stop services to meet their booking and traveling needs. We also provide high quality customer service, supplier management and customer relationship management. Our services currently cover more than 60 starting cities in China.

*Corporate Travel.* We provide air ticket booking, hotel reservation and packaged-tour services to our corporate clients to help them plan business travels in a cost-efficient way. In addition, we also provide our corporate clients with travel data collection and analysis, industry benchmark, cost saving analysis and travel management solutions. We have independently developed the Corporate Travel Management Systems, which is a comprehensive online platform integrating information maintenance, online booking, online authorization, online enquiry and travel report system.

*Other Products and Services.* Our other products and services include the sale of Property Management System or PMS, and related maintenance service. We also offer advertising services, which principally represent the sale of banners or sponsorship on our websites. Other products and services accounted for a small portion of our total revenues in 2011.

## **Strategic Investments and Acquisitions**

To maintain and strengthen our leading market position in China and to become a major travel service provider in the Greater China market, we constantly evaluate opportunities for strategic investments in, and acquisitions of, complementary businesses, assets and technologies and have made such investments and acquisitions from time to time. For example, in 2008 and 2009, we acquired an aggregate of approximately 18% of the total outstanding ordinary shares of Home Inns, a leading economy hotel chain in China. As of December 31, 2011, those shares we purchased represented approximately 16% of the total outstanding shares of Home Inns. In 2009, we had a controlling financial interest in ezTravel. In March 2010, we acquired approximately 9% of the total equity interest in Hanting, a leading economy hotel chain in China. In May 2010 and February 2012, we acquired 90% and the remaining 10% of the issued share capital of Wing On Travel's travel service segment (operated through Wing On Travel's subsidiary, HKWOT (BVI) Limited), respectively. In November 2010, we made a minority investment in Dining Secretary China Ltd., a leading provider of free online and offline restaurant reservations. We intend to continue to make investments and acquisitions that we believe will help us achieve our strategic objectives.

## **Seasonality**

Our business experiences fluctuations, reflecting seasonal variations in demand for travel services. See "Item 5.A. Operating Results," for a discussion of seasonality in the travel industry.

## **Transaction and Service Platform**

Our customers can reach us for their travel-related needs through either our customer service centers or our bilingual websites located at [www.ctrip.com](http://www.ctrip.com) and [english.ctrip.com](http://english.ctrip.com). In 2011, transactions executed through our websites accounted for more than 40% of our total transactions, increased slightly compared with 2010.

*Customer Service Centers.* Our first customer service center is located in Shanghai, China and is operated 24 hours a day, seven days a week. Our second customer service center is located in Nantong, China, which we began to use in May 2010. Customers can call our nationwide toll free number to consult with our customer service representatives, receive comprehensive, real-time hotel, flight and packaged-tour information and make travel bookings.

As of December 31, 2011, we employed approximately 9,000 customer service representatives, as compared with approximately 7,500 as of December 31, 2010. All of our customer service representatives participated in a formal training program before commencing work. Unlike some companies in the United States that outsource their customer service to third-party call centers, our customer service representatives are in-house travel specialists.

At our technically advanced Shanghai facility, we have implemented comprehensive performance measures to monitor our calls to ensure that our customers will receive quality service. We believe we have sufficient capacity to meet the currently anticipated increases in call volume. Nevertheless, if we exceed this capacity, we believe we can add, within reasonable time and at a reasonable cost, additional phone lines, computer systems and customer service representatives to handle increasing call volumes without the need to significantly redesign the system currently in operation at our company.

*Internet Websites.* We have a Chinese-language website located at [www.ctrip.com](http://www.ctrip.com) and an English-language website located at [english.ctrip.com](http://english.ctrip.com). Our proprietary booking software is integrated with our websites, allowing a customer to complete a booking within minutes. In addition, our customers can use our editorial content for researching destinations and travel tips. In January 2011, we launched [Lvping.com](http://Lvping.com), a website that consolidates travel-related information for travelers, including hotel reviews, travel blogs and forums.

## **Marketing and Brand Awareness**

Through advertising, on-site promotions, cross-marketing, online marketing and our customer rewards program, we have created a strong Ctrip brand that is commonly associated in China with value travel products and services and superior customer service. We will continue to use our focused marketing strategy to further enhance awareness of our brand and acquire new customers.

*Advertising.* We advertise on top tier newspapers and radio stations and also conduct public relations activities in the major cities in China where we have a sales team. Based on our experience, these are effective advertising methods for increasing brand awareness and attracting new customers.

*On-Site Promotions.* We have on-site promotion staff in approximately 45 major cities in China. Our staff introduces and promotes Ctrip's services by providing on-site registration for new customers through the use of PDA devices at various locations including airports and train and bus stations. To date, our on-site promotions have proven to be an effective marketing channel for us.

*Cross-Marketing.* We have entered into cross-marketing relationships with major Chinese domestic airlines, financial institutions, telecommunications service providers and other corporations.

Our airline partners recommend our products and services to their mileage program members, and allow their members to accumulate miles by staying at hotels booked through us. Our financial institution partners recommend our products and services to their debit or credit card holders, and we allow their card holders to use their cards to settle their payments for travel products purchased from us. From September 2004, we started to cooperate with banks and launched several credit cards, through which holders of the credit card may book hotels, air tickets and packaged-tour products and are entitled to certain VIP membership privileges with us. In addition, holders of certain credit cards are allowed to automatically earn Ctrip's points every time they pay through these credits. The credit card launched jointly by China Merchants Bank and us is one of the leading co-branded credit cards in terms of number of holders in China and was honored as the "Most Popular Credit Card in 2006" by VISA. As of December 31, 2011, there were a total of approximately 4.8 million holders of credit cards with our name on them.

*Online Marketing.* We have paid many of the leading Internet search engines in China to prominently feature our websites and have cooperated with online companies to promote our services, as well as conducting public relations activities.

*Customer Rewards Program.* To secure our customers' loyalty and further promote our Ctrip brand, we provide our customers with a customer rewards program. This program allows our customers to accumulate membership points calculated according to the services purchased by the customers. Our membership points have a fixed validity term and, before expiry, our customers may redeem these points for travel awards and other gifts.

### **Supplier Relationship Management**

We have cultivated and maintained good relationships with our travel suppliers since our inception. We have a team of employees dedicated to enhance our relationship with existing travel suppliers and develop relationships with prospective travel suppliers.

Furthermore, we have developed an electronic confirmation system that enables participating hotel suppliers to receive our customer's reservation information and confirm such reservation through our online interface with the hotel supplier. We believe that the electronic confirmation system is a cost-effective and convenient way for hotels to interface with us. We have not had any material disputes with our travel suppliers with respect to the amount of commissions to which we were entitled.

### **Technology and Infrastructure**

We believe that the quality of our technology differentiates us from our competitors in China. Our goal has been to build a reliable, scalable, updated and secure infrastructure to fully support our customer service centers and website operations.

Since inception, we have supported substantial growth in our offline and online traffic and transactions with our present architecture. Our proprietary booking software is integrated with our websites and customer service center operations. Our hardware platform for the Internet consists of Hewlett-Packard servers. We have contracted with Hewlett-Packard Company, Dell Inc. and other companies for warranty services for our hardware platform. We maintain our databases on HP servers and storages, and conduct daily backup functions for off-site storage. We access the Internet backbone via two high speed lines for load balance and backup. Our customer service center operations are managed by servers from a leading private branch exchange server provider. We maintain all of our servers at our premises in Shanghai. We adopt hardware, software and services, to protect against unauthorized access to data, or unauthorized alteration, disclosure or destruction of data.

### **Competition**

In the hotel consolidation market, we compete primarily with other consolidators of hotel accommodations, such as eLong, Inc., which is controlled by Expedia, Inc., which owns several online travel businesses, including Expedia.com, Hotels.com and Hotwire.com. We also compete with traditional travel agencies and new Internet travel search websites, such as Qunar.com and Taobao.com. We believe that the hotel room booking volume from FITs of our main competitors is significantly lower than ours. However, as the travel business in China continues to grow, we may face competition from new players in the hotel consolidation market in China and foreign travel consolidators that may enter the China market.

In the air-ticketing market, we compete primarily with other consolidators of air tickets with a multi-province airline ticket sales and fulfillment infrastructure in China, including eLong, Inc. and Mangocity.com. We also compete with new online travel platforms. In the markets where we face local competition, our competitors generally conduct ticketing transactions in person, and not over the Internet or through customer service centers. Many local air-ticketing agencies are primarily involved in the wholesale business and do not directly serve individual travelers, who are our targeted customers. However, as the airline ticket distribution business continues to grow in China, we believe that more companies involved in the travel services industry may develop their services that compete with our air-ticketing business. We also compete with airlines, which in recent years have made efforts to improve their direct sales.

### **Intellectual Property**

Our intellectual property rights include trademarks and domain names associated with the name “Ctrip” and copyright and other rights associated with our websites, technology platform, booking software and other aspects of our business. We regard our intellectual property as a factor contributing to our success, although we are not dependent on any patents, intellectual property related contracts or licenses other than some commercial software licenses available to the general public. We rely on trademark and copyright law, trade secret protection, non-competition and confidentiality agreements with our employees to protect our intellectual property rights. We require our employees to enter into agreements to keep confidential all information relating to our customers, methods, business and trade secrets during and after their employment with us. Our employees are required to acknowledge and recognize that all inventions, trade secrets, works of authorship, developments and other processes made by them during their employment are our property.

Our major domain names are [www.ctrip.com](http://www.ctrip.com) and [www.gotochina.com](http://www.gotochina.com). They have been registered with [www.register.com](http://www.register.com) and [www.opensrs.net](http://www.opensrs.net), respectively, and the domain name [www.ctrip.com.cn](http://www.ctrip.com.cn) with China Internet Network Information Center, a domain name registration service in China, and have full legal rights over these domain names. We conduct our business under the Ctrip brand name and logo. We have registered our major trademarks “Ctrip” and “(CHINESE CHARACTERS)” with the Trademark Office of the PRC State General Administration for Industry and Commerce, or SAIC. We have registered the trademark “Ctrip” and “(CHINESE CHARACTERS)” with the Registrar of Trademarks in Hong Kong. We have also registered the trademark “Ctrip” with the United States Patent and Trademark Office. In 2009, we registered the trademark “(CHINESE CHARACTERS) **CTRIP**” with the Taiwan Intellectual Property Office and with Direcção dos Serviços de Economia of Macau.

In 2007, we were selected by Forbes as one of the “Top 100 Companies with Great Potential” in China, and elected by Fortune China as one of the “Best Employers of 2007 in China.” In early 2008, “(CHINESE CHARACTERS) **CTRIP**” was also recognized as a “Famous Chinese Trademark,” which is the highest recognition for consumer brands granted by the SAIC. With these recognitions, we believe our trademark will be rigorously and actively protected by Industrial and Commercial Bureaus at both local and national levels. In early 2009, “(CHINESE CHARACTERS) **CTRIP**” was recognized as a “Shanghai Well-known Brand,” which is also a high recognition for consumer brands granted by the Shanghai municipal government.

### **PRC Government Regulations**

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the air-ticketing, travel agency, advertising and value-added telecommunications businesses in China. As a result, we conduct these businesses in China through contractual arrangements with our affiliated PRC entities as well as certain independent air-ticketing agencies and travel agencies. Our director, chief executive officer and president, Min Fan, our officers, Jianmin Zhu and Maohua Sun, and a family member of a senior officer, Fengying Zhang, all of whom are PRC citizens, directly or indirectly own all or most of the equity interests in our affiliated Chinese entities as of December 31, 2011.

According to our PRC counsel, Commerce & Finance Law Offices, the ownership structures, as described in this annual report, comply with all existing PRC laws, rules and regulations.

### ***Restrictions on Foreign Ownership***

*Air-ticketing.* According to the Rules on Cognizance of Qualification for Civil Aviation Transporting Marketing Agencies (2006) and relevant foreign investment regulations regarding civil aviation business, a foreign investor currently cannot own 100% of an air-ticketing agency in China, except for Hong Kong and Macau aviation marketing agencies. In addition, foreign-invested air-ticketing agencies are not permitted to sell passenger airline tickets for domestic flights in China.

*Travel Agency.* Currently, foreign investors have been permitted to establish or own a travel agency upon the approval of the PRC government, subject to considerable restrictions as to its scope of business. For examples, under the current Travel Agency Regulations, which became effective on May 1, 2009, foreign-invested travel agencies cannot arrange for mainland residents to travel overseas or to Hong Kong, Macau and Taiwan, unless otherwise decided by the State Council or allowed under the Free Trade Agreement executed by the PRC government or according to the Closer Economic Partnership Arrangement between Mainland China and Hong Kong or Macau (“CEPA”). According to the CEPAs, travel agencies in which Hong Kong or Macau qualified investors hold an interest and which are located in the Guangdong, Guangxi, Hunan, Hainan, Fujian, Jiangxi, Yunnan, Guizhou, Sichuan, Beijing or Shanghai regions are permitted, on trial basis, to arrange travel for the residents in these regions from mainland China to Hong Kong and Macau. On August 29, the National Tourism Administration and the Ministry of Commerce further promulgated the Temporary Administration Rules for Sino-Foreign Joint Invested Travel Agencies to Operate Trip to Overseas Business for Trial, according to which the State Tourism Administration may choose and approve certain qualified sino-foreign joint venture travel agencies to operate business of arranging mainland resident travelling to overseas destinations, on a trial basis.

*Online Advertising.* The principal regulations governing foreign ownership of advertising agencies in China are the Foreign Investment Industrial Guidance Catalogue as amended in 2011 and the Administrative Regulations Concerning Foreign Invested Advertising Enterprises (2008 Revision). Under these regulations, foreign investors are allowed to own 100% of an advertising agency in China subject to certain qualification requirements. However, for those advertising agencies that provide online advertising service, foreign ownership restrictions on the value-added telecommunications business are still applicable.

*Value-added Telecommunications Business License.* The principal regulations governing foreign ownership of the value-added telecommunications service provision business in China include:

- Administrative Rules for Foreign Investments in Telecommunications Enterprises (2008 Revision); and
- Foreign Investment Industrial Guidance Catalogue (2011).

Under these regulations, a foreign entity is prohibited from owning more than 50% of a PRC entity that provides value-added telecommunications services.

In July 2006, the Ministry of Industry and Information Technology (formerly known as the Ministry of Information Industry) issued the Circular on Intensifying the Administration of Foreign Investment in Value-added Telecommunication Business which states that a domestic company that holds a value-added telecommunications business license is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance in forms of resources, sites or facilities to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names used in the value-added telecommunications business shall be owned by the local value-added telecommunications license holder. Due to the lack of further necessary interpretation from the regulator, it remains unclear what impact the above circular will have on us or other Chinese Internet companies that have adopted the same or similar corporate and contractual structures as ours.

### **General Regulation of Businesses**

*Air-ticketing.* The air-ticketing business is subject to the supervision of China National Aviation Transportation Association, or CNATA, and its regional branches. Currently the principal regulation governing air-ticketing in China is the Rules on Cognizance of Qualification for Civil Aviation Transporting Marketing Agencies (2006) which became effective on March 31, 2006.

Under this regulation, any entity that intends to conduct air-ticketing business in China must apply for an air-ticketing license from CNATA.

*Travel Agency.* The travel industry is subject to the supervision of the China National Tourism Administration and local tourism administrations. The principal regulations governing travel agencies in China include:

- Travel Agency Regulations, effective as of May 1, 2009; and
- Implementing Rules of Travel Agency Regulations, effective as of May 3, 2009.

Under these regulations, a travel agency must obtain a license from the China National Tourism Administration to conduct cross-border travel business, and a license from the provincial-level tourism administration to conduct domestic travel agency business.

*Advertising.* The SAIC is responsible for regulating advertising activities in China. The principal regulations governing advertising (including online advertising) in China include:

- Advertising Law (1994);
- Administration of Advertising Regulations (1987); and
- Implementing rules of the Administration of Advertising Regulations (2004).

Under these regulations, any entity conducting advertising activities must obtain an advertising permit from the local Administration of Industry and Commerce.

*Value-added Telecommunications Business and Online Commerce.* Our provision of travel-related content on our websites is subject to PRC laws and regulations relating to the telecommunications industry and Internet, and regulated by various government authorities, including the Ministry of Industry and Information Technology and the SAIC. The principal regulations governing the telecommunications industry and Internet include:

- Telecommunications Regulations (2000);
- The Administrative Measures for Telecommunications Business Operating Licenses, effective as of April 10, 2009; and
- The Internet Information Services Administrative Measures (2000).

Under these regulations, Internet content provision services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain a value-added telecommunications business license from the appropriate telecommunications authorities to conduct any commercial value-added telecommunications operations in China.

With respect to online commerce, there are no specific PRC laws at the national level governing online commerce or defining online commerce activities, and no government authority has been designated to regulate online commerce. There are existing regulations governing retail business that require companies to obtain licenses to engage in the business. However, it is unclear whether these existing regulations will be applied to online commerce.

#### ***Regulation of Foreign Currency Exchange and Dividend Distribution***

*Foreign Currency Exchange.* The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (2008 revision). Under these Rules, the RMB is freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loan or investment in securities outside China unless the prior approval of the State Administration for Foreign Exchange of the PRC, or SAFE is obtained.

Pursuant to the Foreign Currency Administration Rules, foreign investment enterprises in China may purchase foreign currency without the approval of SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange (subject to a cap approved by the SAFE) to satisfy foreign exchange liabilities or to pay dividends. In addition, if a foreign company acquires a company in China, the acquired company will also become a foreign investment enterprise. However, the relevant PRC government authorities may limit or eliminate the ability of foreign investment enterprises to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions for direct investment, loan and investment in securities outside China are still subject to limitations and require approvals from SAFE.

Under the current PRC regulations, loans, either from us or from third-party sources outside of China, incurred by our subsidiaries in China to finance their activities cannot exceed statutory limits, which equal the difference between the respective approved total investment amount and the registered capital of such PRC subsidiaries, and must be registered with the SAFE or its local branches. In the past, our subsidiaries have mainly funded their operations and cash needs from our initial capital injections and cash generated from such subsidiaries' operations. Historically, we have extended two loans to two of our PRC subsidiaries in the amount of US\$11.0 million and US\$7.5 million, respectively, which are within the respective statutory limit of these two PRC subsidiaries. As of December 31, 2011, the loan in the amount of US\$7.5 million was fully repaid and the loan in the amount of US\$11.0 million had an outstanding balance of US\$5.6 million. Other than these discussed above, none of the Company's PRC subsidiaries had any outstanding loans as of December 31, 2011. Based on the capital needs and cash generated from operations of our PRC subsidiaries, we do not believe that our PRC subsidiaries would need to incur substantial debts to fund their respective operations in China in the near future, and even if they need to incur debts, they could manage to obtain short-term loans from PRC banks and financial institutions, which are not subject to the statutory limits referenced above. We currently do not believe, based on the above, that the statutory debt limits on our subsidiaries in China are material to our operations in China, and we do not believe it to be reasonably likely that our PRC subsidiaries would need to incur debts exceeding their respective statutory debt limit.

*Dividend Distribution.* The principal regulations governing distribution of dividends of wholly foreign-owned companies include:

- The Foreign Investment Enterprise Law (1986), as amended in October 2000;
- Administrative Rules under the Foreign Investment Enterprise Law (2001);
- Company Law of the PRC (2005); and
- Enterprise Income Tax Law and its Implementation Rules (2007).

Under these regulations, foreign investment 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, wholly foreign-owned enterprises in China are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, unless such reserve funds have reached 50% of their respective registered capital. These reserves are not distributable as cash dividends.

Under the EIT Law, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in the PRC to its foreign investor which is a non-resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax. According to Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between mainland China and Hong Kong Special Administrative Region in August 2006, dividends payable by an FIE in China to a company in Hong Kong which directly holds at least 25% of the equity interests in the FIE will be subject to a reduced withholding tax rate of 5%.

Under the EIT Law, an enterprise established outside the PRC with its “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The “de facto management body” is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a board definition. Notwithstanding the foregoing provision, the EIT Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company, like us, having indirect ownership interests in PRC enterprises through intermediary holding vehicles.

Moreover, under the EIT Law, foreign ADS holders may be subject to a 10% withholding tax upon dividends payable by a Chinese entity and gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is considered as income deriving from within the PRC and if we are classified as a PRC resident enterprise.

*Regulation of Income Taxes and Financial Subsidies.* See “Item 5. Operating and Financial Review and Prospects—Income Taxes and Financial Subsidies.”

### C. Organizational Structure

The following table sets out the details of our significant subsidiaries as of December 31, 2011:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Ownership Interest</u>
C-Travel International Limited	Cayman Islands	100%
Ctrip.com (Hong Kong) Limited	Hong Kong	100%
Starway Hotels (Hong Kong) Limited	China	100%
Ctrip Computer Technology (Shanghai) Co., Ltd.	China	100%
Ctrip Travel Information Technology (Shanghai) Co., Ltd.	China	100%
Ctrip Travel Network Technology (Shanghai) Co., Ltd.	China	100%
Ctrip Information Technology (Nantong) Co., Ltd.	China	100%

We are a holding company incorporated in the Cayman Islands and rely on dividends from our subsidiaries in China and consulting and other fees paid to our subsidiaries by our affiliated Chinese entities. We conduct a majority of our business through our wholly owned subsidiaries in China. Due to the current restrictions on foreign ownership of air-ticketing, travel agency, online advertising and value-added telecommunications businesses in China, we have conducted part of our operations in these businesses through a series of contractual arrangements between our PRC subsidiaries and our consolidated affiliated Chinese entities. Our significant consolidated affiliated Chinese entities included Ctrip Commerce, Shanghai Huacheng, Shanghai Ctrip, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip, Nantong Tongcheng, Chengdu Ctrip and Chengdu Ctrip International as of December 31, 2011.

As of December 31, 2011, Min Fan, our co-founder, shareholder, director, chief executive officer and president, Jianmin Zhu, our senior vice president, Maohua Sun, our senior vice president, and Fengying Zhang, a family member of a senior executive officer, were principal record owners of our affiliated Chinese entities. Each of them has signed an irrevocable power of attorney to appoint our chief financial officer, Jane Jie Sun, as attorney-in-fact to vote on all matters of our affiliated Chinese entities for a period of ten years; such powers of attorney have ending dates ranging from 2015 to 2021.

#### *D. Property, Plants and Equipment*

Our first customer service center and principal sales, marketing and development facilities and administrative offices are located on owned premises comprising approximately 39,000 square meters in an economic development park in Shanghai, China. Our second customer service center is located in our owned premises in Nantong, China, comprising approximately 80,000 square meters. We have offices in Hong Kong, Beijing, Guangzhou, Shenzhen, Chengdu, Qingdao, Shenyang, Xiamen, Hangzhou, Wuhan, Nanjing, Sanya and Lijiang. We also maintain a sales network in approximately 45 cities in China. We believe that we will be able to obtain adequate facilities, principally through the leasing of appropriate properties, to accommodate our expansion plans in the near future.

We have acquired the land use right to a piece of land in Nantong, Jiangsu Province in early 2008 for approximately RMB49 million. Nantong is approximately 110 kilometers north of Shanghai. In September 2008, we announced the commencement of construction of the Nantong customer service center. In December 2008, we entered into a construction agreement with Shanghai No. 1 Construction Co., Ltd. to construct the Nantong customer service center. The total contract value of the construction agreement was approximately RMB296 million. The aggregate investment for the Nantong customer service center including land costs, construction costs and other improvement costs, is approximately RMB457 million. Approximately RMB426 million (US\$68 million) was paid as of December 31, 2011, with the remainder expected to be paid in 2012. We funded the construction from our operating cash flow. Nantong customer service center began operations in May 2010.

To support future business expansion, we acquired the land use right to a piece of land measuring approximately 9,000 square meters in Chengdu, Sichuan province in November 2011 for approximately RMB10 million (US\$2 million), and plan to build our regional head office on this land. The construction commenced in 2011 and is expected to be completed in 2013. The total budget including the land use right is approximately RMB350 million (US\$56 million). In addition, we entered into an agreement to purchase a part of an office building in Shanghai in December 2011 for approximately RMB360 million (US\$60 million), of which RMB37 million have been paid. The purchase is expected to be completed in 2012. Both of the abovementioned amounts are expected to be fully paid from our operating cash flow.

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report on Form 20-F. This annual report contains forward-looking statements. See “Introduction—Forward-Looking Information.” In evaluating our business, you should carefully consider the information provided under the caption “Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

## A. Operating Results

We are a leading consolidator of hotel accommodations and airline tickets in China. We aggregate information on hotels and flights and enable our customers to make informed and cost-effective hotel and flight bookings. We also offer packaged-tour products and other products and services.

In 2011, we derived 40%, 39%, 14%, 4% and 3% of our total revenues from our hotel reservation, air ticketing, packaged tour, corporate travel and other products and services, respectively.

### Major Factors Affecting the Travel Industry

A variety of factors affect the travel industry in China, and hence our results of operations and financial condition, including:

*Growth in the Overall Economy and Demand for Travel Services in China.* We expect that our financial results will continue to be affected by the overall growth of the economy and demand for travel services in China and the rest of the world. According to the statistical report published on the website of National Bureau of Statistics of China on February 22, 2012, the gross domestic product, or GDP, of China grew from RMB24.7 trillion (US\$2.9 trillion) in 2007 to RMB47.2 trillion (US\$7.5 trillion) in 2011, representing a compound annual growth rate of 17.6%. GDP per capita in the same period rose from RMB18,665 (US\$2,966) to RMB34,999 (US\$5,461), representing a 17.0% compound annual growth rate. This growth led to a significant increase in the demand for travel services.

According to the statistical report published on the website of National Bureau of Statistics of China on February 22, 2012, domestic tourism spending grew from RMB777.1 billion (US\$123.5 billion) in 2007 to RMB1,930.6 billion (US\$306.7 billion) in 2011, representing a compound annual growth of 25.5%. We anticipate that demand for travel services in China will continue to increase in the foreseeable future as the economy in China continues to grow. However, any adverse changes in economic conditions of China and the rest of the world, such as the current global financial crisis and economic downturn, could have a material adverse effect on the travel industry in China, which in turn would harm our business.

*Seasonality in the Travel Service Industry.* The travel service industry is characterized by seasonal fluctuations and accordingly our revenues may vary from quarter to quarter. To date, the revenues generated during the summer season of each year generally are higher than those generated during the winter season, mainly because the summer season coincides with the peak business and leisure travel season, while the winter season of each year includes the Chinese New Year holiday, during which our customers reduce their business activities. These seasonality trends are difficult to discern in our historical results because our revenues have grown substantially since inception. However, our future results may be affected by seasonal fluctuations in the use of our services by our customers.

*Disruptions in the Travel Industry.* Individual travelers tend to modify their travel plans based on the occurrence of events such as:

- the outbreak of H1N1 influenza, avian flu, SARS or any other serious contagious diseases;
- increased prices in the hotel, airline or other travel-related industries;
- increased occurrence of travel-related accidents;
- natural disasters or poor weather conditions;
- terrorist attacks or threats of terrorist attacks or war;
- any travel restrictions or security procedures implemented in connection with major events in China; and
- general economic downturns.

In early 2003, several regions in Asia, including Hong Kong and China, were affected by the outbreak of SARS. The travel industry in China, Hong Kong and some other parts of Asia suffered tremendously as a result of the outbreak of SARS. Furthermore, in early 2008, severe snowstorms hit many areas of China and particularly affected southern China. The travel industry was severely and adversely affected during and after the snowstorms. Additionally, in May 2008, a major earthquake struck China's populous Sichuan Province, causing great loss of life, numerous injuries, property loss and disruption to the local economy. The earthquake had an immediate impact on our business as a result of the sharp decrease in travel in the relevant earthquake-affected areas in Sichuan Province. In 2009, an outbreak of H1N1 influenza (swine flu) occurred in Mexico and the United States and human cases of the swine flu were discovered in China and Hong Kong. In March 2011, a powerful earthquake hit Japan, and the subsequent tsunami and nuclear accidents had far-reaching impact on the surrounding economies. Our business and operating results were adversely affected in all cases.

Any future outbreak of SARS, avian flu, H1N1 influenza or other contagious diseases or similar adverse public health developments, extreme unexpected bad weather or severe natural disasters would affect our business and operating results. Ongoing concerns regarding contagious disease or natural disasters, particularly its effect on travel, could negatively impact our China-based customers' desire to travel. If there is a recurrence of an outbreak of certain contagious diseases or natural disasters, travel to and from affected regions could be curtailed. Government advice regarding, or restrictions, on travel to and from these and other regions on account of an outbreak of any contagious disease or occurrence of natural disasters could have a material adverse effect on our business and operating results.

## Major Factors Affecting Our Results of Operations

### Revenues

*Revenues Composition and Sources of Revenue Growth.* We have experienced significant revenue growth since we commenced operations in 1999. Our total revenues grew from RMB1,287 million in 2007 to RMB3.7 billion (US\$592 million) in 2011, representing a compound annual growth rate of 30%.

We generate our revenues primarily from the hotel reservation and air-ticketing businesses. The table below sets forth the revenues from our principal lines of business as a percentage of our revenues for the periods indicated.

	Year-Ended December 31,		
	2009	2010	2011
Revenues:			
Hotel reservation	44%	42%	40%
Air ticketing	41%	39%	39%
Packaged-tour*	8%	12%	14%
Corporate travel	4%	4%	4%
Others	3%	3%	3%
Total revenues	100%	100%	100%

\* Certain of our packaged-tour revenues were recorded on a gross basis. See “— Major Factors Affecting Our Results of Operations — Revenues — Packaged-tour.”

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

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

*Hotel Reservation.* Revenues from our hotel reservation business have been our primary source of revenues since our inception. In 2009, 2010 and 2011, revenues from our hotel reservation business accounted for RMB941 million, RMB1.3 billion and RMB1.5 billion (US\$236 million), respectively, or 44%, 42% and 40%, respectively, of our total revenues.

We derive our hotel reservation revenues through commissions from hotels, primarily based on the room rates paid by our customers. We recognize revenues when we receive confirmation from a hotel that a customer who booked the hotel through us has stayed and checked out from the hotel. While we generally agree in advance on fixed commissions with a particular hotel, we also enter into a commission arrangement with many of our hotel suppliers that we refer to as the “ratchet system.” Under the ratchet system, our commission per room night for a given hotel increases for the month if we sell in excess of a pre-agreed number of room nights with such hotel within the month.

*Air-Ticketing.* Since early 2002, our air-ticketing business has been growing rapidly. In 2009, 2010 and 2011, revenues from our air-ticketing business accounted for RMB868 million, RMB1.2 billion and RMB1.4 billion (US\$228 million), respectively, or 41%, 39% and 39% respectively, of our total revenues.

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

*Packaged-tour.* Our packaged-tour business has grown rapidly in the past three years. In 2009, 2010 and 2011, revenues from our packaged-tour business accounted for RMB176 million, RMB380 million and RMB535 million (US\$85 million), respectively. We conduct our packaged-tour business mainly through our consolidated affiliated Chinese entities, which bundle the packaged-tour products and receive referral fees from different travel suppliers for different components and services of the packaged tours sold through our transaction and service platform. Referral fees are recognized as revenues after the packaged-tour services are rendered. Our consolidated affiliated entities also, from time to time, act as principal in connection with the packaged-tour services provided by them. When they act as principal, they recognize gross amounts received from customers as revenues after the packaged-tour services are rendered.

*Corporate Travel.* Corporate travel revenues primarily include commissions from air ticket booking, hotel reservation and packaged-tour services rendered to corporate clients. In 2009, 2010 and 2011, revenues from our corporate travel services accounted for RMB83 million, RMB130 million and RMB162 million (US\$26 million), respectively. Commissions from air-ticketing services rendered are recognized after air tickets are issued. Commissions from hotel reservation services rendered are recognized after hotel customers have completed their stay at the applicable hotel and upon confirmation of pending payment of the commissions by the hotel. Commissions from tour package services rendered are recognized on a net basis after the packaged-tour services are rendered and collections are reasonably assured.

*Other Products and Services.* Our other products and services primarily consist of Internet-related advertising services, the sale of PMS and related maintenance service, the sales of aviation casualty insurance, air-ticket delivery services and the sale of travel guidebooks, and VIP membership cards. We place our customers' advertisements on our websites and in our introductory brochures. We conduct the advertising business through Ctrip Commerce, and we recognize revenues when Ctrip Commerce renders advertising services. We conduct PMS sale and maintenance business through Software Hotel Information. The sale of PMS is recognized upon customer's acceptance. Maintenance service revenue is recognized ratably over the term of the maintenance contract on a straight-line basis. We sell VIP membership cards that allow cardholders to enjoy certain priority in obtaining our services and receive discounts from many restaurants, clubs and bars in various cities in China. Revenues from the sale of travel guidebooks and VIP membership cards are recognized when the products are sold, provided that we do not have any significant outstanding obligations.

### ***Cost of Revenues***

Cost of revenues are costs directly attributable to rendering our revenues, which consist primarily of payroll compensation, telecommunication expenses, credit card charges and other direct expenses incurred in connection with our transaction and service platform. Payroll compensation accounted for 62%, 60% and 59% of our cost of revenues in 2009, 2010 and 2011, respectively. Telecommunication expenses accounted for 12%, 10% and 9% of our cost of revenues in 2009, 2010 and 2011, respectively. Credit card charges accounted for 16%, 19% and 20% of our cost of revenues in 2009, 2010 and 2011, respectively.

Cost of revenues accounted for 23%, 22% and 23% of our net revenues in 2009, 2010 and 2011, respectively. We believe our relatively low ratio of cost of revenues to revenues is primarily due to competitive labor costs in China and high efficiency of our customer service system. Our cost efficiency was further enhanced by our website operations, which require significantly fewer service staff to operate and maintain. The increase of percentage of cost of revenues over net revenues in 2011 was largely due to the increase in customer service personnel.

### ***Operating Expenses***

Operating expenses consist primarily of product development expenses, sales and marketing expenses, general and administrative expenses, all of which include share-based compensation expense. In 2011, we recorded RMB343 million (US\$54 million) of share-based compensation expense compared to RMB131 million and RMB243 million for 2009 and 2010, respectively. Share-based compensation expense is included in the same income statement category as the cash compensation paid to the recipient of the share-based award.

Product development expenses primarily include expenses we incur to develop our travel suppliers network and expenses we incur to develop, maintain and monitor our transaction and service platform. Product development expenses accounted for 16%, 16% and 17% of our net revenues in 2009, 2010 and 2011, respectively. The product development expenses as a percentage of net revenues in 2011 increased compared to that in 2010 primarily due to the increases in product development personnel and share-based compensation expenses.

Sales and marketing expenses primarily comprise payroll compensation and benefits for our sales and marketing personnel, advertising expenses, commissions for our marketing partners for referring customers to us, and production costs of marketing materials and membership cards. Our sales and marketing expenses accounted for 17%, 16% and 18% of our net revenues in 2009, 2010 and 2011, respectively. The increase of sales and market expenses as a percentage of net revenues in 2011 was primarily due to the increases in sales and marketing related activities and sales and marketing personnel.

General and administrative expenses consist primarily of payroll compensation, benefits and travel expenses for our administrative staff, professional service fees, as well as administrative office expenses. Our general and administrative expenses accounted for 10%, 10% and 11% of our net revenues in 2009, 2010 and 2011, respectively. The increase of general and administrative expenses as a percentage of net revenues in 2011 was primarily due to the increases in administrative personnel and share-based compensation expenses.

### ***Foreign Exchange Risk***

We are exposed to foreign exchange risk arising from various currency exposures. See “Item 11. Quantitative and Qualitative Disclosure About Market Risk.”

### ***Income Taxes and Financial Subsidies***

*Income Taxes.* Our effective income tax rate was 17%, 17% and 20% for 2009, 2010 and 2011, respectively. Prior to December 31, 2007, pursuant to the applicable tax laws in China, companies established in China were generally subject to EIT at a statutory rate of 33%. The 33% EIT rate applied to our subsidiaries and affiliated Chinese entities established in China, except for our subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information, and our consolidated affiliated Chinese entity, Shenzhen Ctrip Travel Agency Co., Ltd., or Shenzhen Ctrip, as discussed below.

On March 16, 2007, the National People’s Congress, the Chinese legislature, passed the new EIT Law, which became effective on January 1, 2008. The EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. Under the EIT Law, enterprises that were established before March 16, 2007 and already enjoy preferential tax treatments will (i) in the case of preferential tax rates, continue to enjoy the tax rates which will be gradually increased to the new tax rates within five years from January 1, 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term. For certain enterprises established in special economic zones, including Pudong New Area, a transitional preferential income tax rate of 18%, 20%, 22%, 24% and 25% for the respective five-year transition period is allowed. The effective tax rate for 2010 remained consistent with that in 2009. The increase in our effective income tax rate from 2010 to 2011 was primarily due to the increase in the amount of non tax-deductible share-based compensation as a percentage to our income as a whole.

On April 14, 2008, the Ministry of Science and Technology and the Ministry of Finance and the SAT jointly issued Guokefahuo (2008) No.127, “Administrative Measures for Assessment of High and New Technology Enterprises,” or the Measures, and “Catalogue of High and New Technology Domains Strongly Supported by the State,” or the Catalogue, each of which is retroactively effective as of January 1, 2008. The Measures mainly set forth general guidelines regarding criteria as well as application procedures for qualification as a “high and new technology enterprise” under the EIT Law.

Pursuant to the EIT Law, companies established in China were generally subject to EIT at a statutory rate of 25%. The 25% EIT rate applies to our subsidiaries and affiliated Chinese entities established in China, except for Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information, which are our subsidiaries, and Shenzhen Ctrip, which is our consolidated affiliated Chinese entity.

- In 2008, Ctrip Computer Technology was designated as a “high and new technology enterprise” by the relevant PRC government authorities and thus was entitled to a preferential EIT rate of 15% from 2008 to 2010.

- Ctrip Travel Information historically enjoyed a preferential income tax rate of 15% as it is registered in Pudong New District, Shanghai. During the fourth quarter of 2004, Ctrip Travel Information was designated as a “Software Development Company” and thus obtained from the relevant tax bureau a full exemption of income tax for 2004 and a 50% reduction of the income tax statutory rate for the period from 2005 to 2007. In 2008, Ctrip Travel Information was designated as a “high and new technology enterprise” by the relevant PRC government authorities and thus was entitled to a preferential EIT rate of 15% from 2008 to 2010.
- In the fourth quarter of 2007, Ctrip Travel Network was designated as a “software development company” and thus obtained from the relevant tax bureau a 50% reduction of its statutory and local income tax rate from 2007 to 2009. In 2008, Ctrip Travel Network was designated as a “high and new technology enterprise” by the relevant PRC government authorities. As a result, Ctrip Travel Network was entitled to a preferential EIT rate of 12.5% for 2008 and 2009 and 15% for 2010.
- In 2008, Software Hotel Information was designated as a “high and new technology enterprise” by the relevant PRC government authorities and thus was entitled to a preferential EIT rate of 15% from 2008 to 2010.
- In 2011, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information reapplied for their qualification as “high and new technology enterprise”, which were approved by the relevant government authority. Thus, these four subsidiaries are entitled to a preferential EIT rate of 15% from 2011 to 2013.
- Shenzhen Ctrip enjoyed a preferential tax rate of 15% before 2008 as it is registered in Shenzhen, a special economic zone of China. Under the current EIT law, Shenzhen Ctrip is entitled to a transitional tax rate which will gradually increase to 25% from 2008 to 2012. The applicable tax rate for Shenzhen Ctrip in 2009, 2010 and 2011 was 20%, 22% and 24%, respectively.

In November 2011, the Ministry of Finance released Circular Caishui [2011] No. 111 mandating Shanghai to be the first city to carry out a pilot program of tax reform. Effective January 1, 2012, any entity in Shanghai that falls in the category of “selected modern service industries” will switch from being a business tax payer to becomes a value-added tax (“VAT”) payer, who is permitted to offset expenses incurred in providing the relevant services it provides from the taxable income. Our subsidiaries Ctrip Travel Network and Shanghai Ctrip Commerce will be subject to VAT at a rate of 6% and stop paying the 5% business tax from January 1, 2012 onwards. We do not expect this change will have material impact on our consolidated results of operations.

*Financial Subsidies.* In 2009, 2010 and 2011, our subsidiaries in China received financial subsidies from the government authorities in Shanghai in the amount of approximately RMB54 million, RMB64 million and RMB73 million (US\$12 million), respectively, which we recorded as other income upon cash receipt. Such financial subsidies were granted to us at the sole discretion of the government authorities. We cannot assure you that our subsidiaries will continue to receive financial subsidies in the future.

### **Critical Accounting Policies**

We prepare financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that are believed to be reasonable under the circumstances, which together form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on management’s judgment.

*Revenue Recognition.* We describe our revenue recognition policies in our consolidated financial statements. We apply ASC 605 “Revenue Recognition” to our policies for revenue recognition and presentation of consolidated statement of income and comprehensive income. The factors we have considered include whether we are able to achieve the pre-determined specific performance targets by travel suppliers for recognition of the incentive commissions in addition to the fixed-rate and our risk of loss due to obligations for cancelled hotel and airline ticket reservations. As we operate primarily as an agent to the travel suppliers and our risk of loss due to obligations for cancelled hotel and airline ticket reservations is minimal, we recognize commissions on a net basis.

*Business Combination.* We apply ASC 805 “Business Combination,” which requires that all business combinations be accounted for under the purchase method. The cost of an acquisition is measured as the aggregate of fair values at the date of exchange of assets given, liabilities incurred and equity instruments issued. The costs directly attributable to an acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of cost of acquisition, fair value of noncontrolling interests and acquisition date fair value of any previously held equity interest in an acquiree over (ii) the fair value of identifiable net assets of an acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of a subsidiary acquired, the difference is recognized directly in the income statement.

*Investment.* We apply the ASC 323 “Investments—Equity Method and Joint Ventures,” in accounting for our investments. The equity method is used for investments in entities in which we have the ability to exercise significant influence but do not own a majority equity interest or otherwise control. The cost method is used for investments over which we do not have the ability to exercise significant influence. For other investment, we apply ASC 320 “Investments—Debt and Equity Securities,” which requires that debt and equity securities be classified into one of three categories and accounted for as follows: (i) those “held to maturity” are reported at amortized cost; (ii) “trading securities” with unrealized holding gains and losses are included in earnings; and (iii) debt and equity securities not classified as held to maturity or as trading securities are classified as “available for sale” and reported at fair value. Unrealized gains and losses on available for sale securities are excluded from earnings and reported as accumulated other comprehensive income (loss), net of tax. We monitor our investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information.

*Goodwill, Intangible Assets and Long-Lived Assets.* In addition to the original cost of goodwill, intangible assets and long-lived assets, the recorded value of these assets is impacted by a number of policy elections, including estimated useful lives, residual values and impairment charges. ASC 350 “Intangibles—Goodwill and Other,” provides that intangible assets that have indefinite useful lives and goodwill will not be amortized but rather will be tested at least annually for impairment. ASC 350 also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its undiscounted future cash flow. For 2009, 2010 and 2011, we did not recognize any impairment charges for goodwill, intangible assets or long-lived assets based on the expanding and prospective business of our subsidiaries and affiliated Chinese entities. As of December 31, 2009, 2010 and 2011, there were no circumstances or events that indicated that the assets may be impaired. If different judgments or estimates had been utilized, material differences could have resulted in the amount and timing of the impairment charge.

*Customer Rewards Program.* We offer a customer rewards program that allows customers to receive travel awards and other gifts based on accumulated membership points that vary depending on the products and services purchased by the customers. Because we have an obligation to provide such travel awards and other gifts, we recognize liabilities and corresponding expenses for the related future obligations. As of December 31, 2009, 2010 and 2011, our accrued balance for the customer rewards program were approximately RMB88 million, RMB121 million and RMB162 million (US\$26 million), respectively. Our expenses for the customer rewards program were approximately RMB76 million, RMB94 million and RMB128 million (US\$20 million) for the years ended December 31, 2009, 2010 and 2011. We estimate our liabilities under our customer rewards program based on accumulated membership points and our estimate of probability of redemption in accordance with the historical redemption pattern. If actual redemption differs significantly from our estimate, it will result in an adjustment to our liability and the corresponding expense.

*Share-Based Compensation.* We follow ASC 718 “Stock Compensation,” using the modified prospective method. Under the fair value recognition provisions of ASC 718, we recognize share-based compensation net of an estimated forfeiture rate and therefore only recognize compensation cost for those shares expected to vest over the service period of the award.

Under ASC 718, we applied the Black-Scholes valuation model in determining the fair value of options granted, which requires the input of highly subjective assumptions, including the expected life of the stock option, stock price volatility, and the pre-vesting option forfeiture rate. Expected life is based on historical exercise patterns, which we believe are representative of future behavior, or calculated by using the simplified method. We estimate expected volatility at the date of grant based on historical volatility. The assumptions used in calculating the fair value of stock options represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our share-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical patterns of our stock options granted, exercised and forfeited. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be significantly different from what we have recorded in the current period. See Note 2—“Share-based compensation” in the consolidated financial statements for additional information. According to ASC 718, a change in any of the terms or conditions of stock options shall be accounted for as a modification of the plan. Therefore, the Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Company would recognize incremental compensation cost in the period the modification occurs and for unvested options, the Company would recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

*Deferred Tax Valuation Allowances.* We provide a valuation allowance on our deferred tax assets to the extent we consider it to be more likely than not that we will be unable to realize all or part of such assets. Our future realization of our deferred tax assets depends on many factors, including our ability to generate taxable income within the period during which temporary differences reverse or before our tax loss carry-forwards expire, the outlook for the Chinese economy and overall outlook for our industry. We consider these factors at each balance sheet date and determine whether valuation allowances are necessary. As of December 31, 2009, 2010 and 2011, we recorded deferred tax assets of RMB23 million, RMB37 million and RMB40 million (US\$6 million), respectively. If, however, unexpected events occur in the future that would prevent us from realizing all or a portion of our net deferred tax assets, an adjustment would result in a charge to income in the period in which such determination was made. As of December 31, 2009, 2010 and 2011, it is more likely than not that the deferred tax assets resulting from the net operating losses of certain subsidiary will not be realized. Hence, we recorded valuation allowance against our gross deferred tax assets in order to reduce the deferred tax assets to the amount that is more likely than not to be realized. If events were to occur in the future that would allow us to realize more of our deferred tax assets than the presently recorded net amount, an adjustment would be made to the deferred tax assets that would increase income for the period when those events occurred.

*Allowance for doubtful accounts.* Accounts receivable are recorded at the invoiced amount and do not bear interest. We review on a periodic basis for doubtful accounts for the outstanding trade receivable balances based on historical experience and information available. Additionally, we make specific bad debt provisions based on (i) our specific assessment of the collectibility of all significant accounts; and (ii) any specific knowledge we have acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require us to use substantial judgment in assessing its collectibility. As of the end of December 31, 2009, 2010 and 2011, the allowance for doubtful accounts was RMB3.6 million, RMB5.7 million and RMB5.0 million (US\$0.8 million), respectively.

## Results of Operations

The following table sets forth a summary of our consolidated statements of operations for the periods indicated both in amount and as a percentage of net revenues.

	For the Year Ended December 31,								
	2009		2010		2011				
	RMB (in thousands)	%	RMB (in thousands)	%	RMB (in thousands)	US\$ (in thousands)	%		
Revenues:									
Hotel reservation	940,682	47	1,278,044	44	1,486,899	236,244	43		
Air ticketing	868,379	44	1,206,921	42	1,437,118	228,335	41		
Packaged-tour(1)	175,867	9	380,307	13	534,640	84,946	15		
Corporate travel	83,137	4	129,658	5	161,610	25,677	5		
Others	54,497	3	71,783	2	106,037	16,848	3		
Total revenues(2)	2,122,562	107	3,066,713	106	3,726,304	592,050	107		
Less: Business tax and related surcharges	(134,555)	(7)	(185,480)	(6)	(228,219)	(36,260)	(7)		
Net revenues	1,988,007	100	2,881,233	100	3,498,085	555,790	100		
Cost of revenues	(450,603)	(23)	(625,261)	(22)	(805,130)	(127,923)	(23)		
Gross profit	1,537,404	77	2,255,972	78	2,692,955	427,867	77		
Operating expenses:									
Product development(3)	(308,452)	(16)	(453,853)	(16)	(601,485)	(95,566)	(17)		
Sales and marketing(3)	(345,289)	(17)	(453,293)	(16)	(624,600)	(99,239)	(18)		
General and administrative(3)	(196,297)	(10)	(294,701)	(10)	(400,876)	(63,693)	(12)		
Total operating expenses	(850,038)	(43)	(1,201,847)	(42)	(1,626,961)	(258,498)	(47)		
Income from operations	687,366	35	1,054,125	37	1,065,994	169,369	30		
Interest income	17,393	1	37,586	1	106,003	16,842	3		
Other income	60,801	3	99,126	3	117,624	18,689	3		
Income before income tax expense equity in income of affiliates and noncontrolling interest	765,560	39	1,190,837	41	1,289,621	204,900	37		
Income tax expense	(131,658)	(7)	(205,017)	(7)	(262,186)	(41,657)	(8)		
Equity in income of affiliates	32,869	2	66,172	2	57,525	9,140	2		
Net Income	666,771	34	1,051,992	37	1,084,960	172,383	31		
Less: Net income attributable to noncontrolling interests	(7,797)	—	(3,922)	—	(8,545)	(1,358)	—		
Net income attributable to Ctrip's shareholders	658,974	33	1,048,070	36	1,076,415	171,025	31		

(1) Certain of our packaged-tour revenues were booked on a gross basis. See “— Major Factors Affecting Our Results of Operations — Revenues — Packaged-tour.”

- (2) Certain prior year amounts have been reclassified with no effect on net income or retained earnings to conform to the presentation of 2011 financial information.
- (3) Share-based compensation was included in the associated operating expense categories as follows:

	For the Year Ended December 31,					
	2009		2010		2011	
	RMB (in thousands)	%	RMB (in thousands)	%	RMB (in thousands)	US\$ (in thousands)
Product development	(33,863)	(2)	(64,254)	(2)	(98,955)	(15,722)
Sales and marketing	(18,864)	(1)	(33,203)	(1)	(48,191)	(7,657)
General and administrative	(77,802)	(4)	(145,104)	(5)	(195,645)	(31,085)

Any discrepancies in the above table between the amounts/percentages identified as total amounts/percentages and the sum of the amounts/percentages listed therein are due to rounding.

## 2011 compared to 2010

### Revenues

Total revenues were RMB3.7 billion (US\$592 million) in 2011, an increase of 22% over RMB3.1 billion in 2010. This revenues growth was principally driven by the substantial volume growth in hotel room nights sold and air tickets sold in 2011; Wing On Travel and ezTravel also contributed approximately 1% for the year-on-year growth for net revenues.

*Hotel Reservation.* Revenues from our hotel reservation business increased by 16% to RMB1.5 billion (US\$236 million) in 2011 from RMB1.3 billion in 2010, primarily as a result of the continued rapid growth in our hotel room nights sales volume in 2011. The total number of hotel room nights sold in 2011 increased by 15% from 2010.

*Air-Ticketing.* Revenues from our air-ticketing business increased by 19% to RMB1.4 billion (US\$228 million) in 2011 from RMB1.2 billion in 2010, primarily due to strong growth of air tickets sales volume as we continued to significantly expand our air ticketing capabilities in 2011. The total number of air tickets sold in 2011 increased by 19% from 2010.

*Packaged-tour.* Packaged-tour revenues increased by 41% to RMB535 million (US\$85 million) in 2011 from RMB380 million in 2010, primarily due to the continued growth of our packaged-tour business product and service offerings and the contribution of HKWOT (BVI) Limited since our acquisition in May 2010.

*Corporate Travel.* Corporate travel revenues increased by 25% to RMB162 million (US\$26 million) in 2011 from RMB130 million in 2010, primarily due to the increased corporate travel demand from our corporate clients.

*Other businesses.* Revenues from other businesses increased by 48% to RMB106 million (US\$17 million) in 2011 from RMB72 million in 2010, primarily due to the increased revenues from advertising services.

### Business tax and related surcharges

Our business tax and related surcharges increased by 23% to RMB228 million (US\$36 million) in 2011 from RMB185 million in 2010 as a result of the increases in revenues in all of our business lines.

### Cost of Revenues

Cost of revenues in 2011 increased by 29% to RMB805 million (US\$128 million) from RMB625 million in 2010. This increase was primarily attributable to increased costs associated with the rapid growth of air-ticketing and packaged-tour businesses and the expansion of our hotel reservation business. Additionally, our customer service personnel increased to approximately 9,000 in 2011 from approximately 7,500 in 2010.

### *Operating Expenses*

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

*Product Development.* Product development expenses increased by 33% to RMB601 million (US\$96 million) in 2011 from RMB454 million in 2010, primarily due to an increase in product development personnel to approximately 4,200 employees in 2011 from approximately 2,700 employees in 2010 as we expanded our air ticketing and packaged-tour businesses.

*Sales and Marketing.* Sales and marketing expenses increased by 38% to RMB625 million (US\$99 million) in 2011 from RMB453 million in 2010, primarily attributable to the increase in advertisement expenses, marketing and promotion expenses, and salary and benefit expenses of our sales and marketing personnel in 2011.

*General and Administrative.* General and administrative expenses increased by 36% to RMB401 million (US\$64 million) in 2011 from RMB295 million in 2010, primarily due to the increase in general and administrative personnel compensation expenses.

### *Equity in income of affiliates*

Equity in income of affiliates decreased by 13% to RMB58 million (US\$9 million) in 2011 from RMB66 million in 2010 due to the decrease in proportional equity pick-up of the investment in Home Inns' results of operations.

### *Interest Income*

Interest income increased by 182% to RMB106 million (US\$17 million) in 2011 from RMB38 million in 2010 due to the increased interest rate and increased cash generated from operations in 2011.

### *Other Income*

Other income increased by 19% to RMB118 million (US\$19 million) in 2011 from RMB99 million in 2010, primarily due to increases in subsidy income and non-operating income.

### *Income Tax Expense*

Income tax expense was RMB262 million (US\$42 million) in 2011, an increase of 28% over RMB205 million in 2010, primarily due to the increase in our taxable income. Our effective income tax rate in 2011 was 20%, as compared to 17% in 2010, primarily due to the increase in the amount of non tax-deductible share-based compensation expense as a percentage of our income as a whole.

## **2010 compared to 2009**

### *Revenues*

Total revenues were RMB3.1 billion in 2010, an increase of 44% over RMB2.1 billion in 2009. This revenues growth was principally driven by the substantial volume growth in hotel room nights sold and air tickets sold in 2010.

*Hotel Reservation.* Revenues from our hotel reservation business increased by 36% to RMB1.3 billion in 2010 from RMB941 million in 2009, primarily as a result of the continued rapid growth in our hotel room nights sales volume and the increase in the average commission per room night in 2010. The total number of hotel room nights sold in 2010 increased by 31% from 2009.

*Air-Ticketing.* Revenues from our air-ticketing business increased by 39% to RMB1.2 billion in 2010 from RMB868 million in 2009, primarily due to strong growth of air tickets sales volume as we continued to significantly expand our air ticketing capabilities and the increase in the average commission per airline ticket sold in 2010. The total number of air tickets sold in 2010 increased by 28% from 2009.

*Packaged-tour.* Packaged-tour revenues increased by 116% to RMB380 million in 2010 from RMB176 million in 2009, primarily due to the continued growth of our packaged-tour business product and service offerings and the contribution of HKWOT (BVI) Limited after being acquired by us in May 2010.

*Corporate Travel.* Corporate travel revenues increased by 56% to RMB130 million in 2010 from RMB83 million in 2009, primarily due to the increased corporate travel demand from our corporate clients.

*Other businesses.* Revenues from other businesses increased by 32% to RMB72 million in 2010 from RMB54 million in 2009, primarily due to the consolidation of the results of operations of ezTravel since April 2009 and Wing On Travel since May 2010, and the increased revenues from advertising services.

#### *Business tax and related surcharges*

Our business tax and related surcharges increased by 38% to RMB185 million in 2010 from RMB135 million in 2009 as a result of the increases in revenues in all of our business lines.

#### *Cost of Revenues*

Cost of revenues in 2010 increased by 39% to RMB625 million from RMB451 million in 2009. This increase was primarily attributable to increased costs associated with the rapid growth of air-ticketing and packaged-tour businesses and the expansion of our hotel reservation business. Additionally, our customer service personnel increased to approximately 7,500 in 2010 from approximately 5,700 in 2009.

#### *Operating Expenses*

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

*Product Development.* Product development expenses increased by 47% to RMB454 million in 2010 from RMB308 million in 2009, primarily due to an increase in product development personnel to approximately 2,700 employees in 2010 from approximately 2,200 employees in 2009 as we expanded our air ticketing and packaged-tour businesses.

*Sales and Marketing.* Sales and marketing expenses increased by 31% to RMB453 million in 2010 from RMB345 million in 2009, primarily attributable to the increase in advertisement expenses, marketing and promotion expenses, salary and benefit expenses of our sales and marketing personnel in 2010.

*General and Administrative.* General and administrative expenses increased by 50% to RMB295 million in 2010 from RMB196 million in 2009, primarily due to the increase in general and administrative personnel compensation expenses.

#### *Equity in income of affiliates*

Equity in income of affiliates increased by 101% to RMB66 million in 2010 from RMB33 million in 2009 due to the increase in proportional equity pick-up of the investment in Home Inns' results of operations.

#### *Interest Income*

Interest income increased by 116% to RMB38 million in 2010 from RMB17 million in 2009 due to the increased cash generated from operations and cash received from our equity offering in 2010.

#### *Other Income*

Other income increased by 63% to RMB99 million in 2010 from RMB61 million in 2009, primarily due to increases in foreign exchange gain and subsidy income.

#### *Income Tax Expense*

Income tax expense was RMB205 million in 2010, an increase of 56% over RMB132 million in 2009, primarily due to the increase in our taxable income. Our effective income tax rate in 2010 was 17%, which remained consistent with that in 2009.

## 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 annual average percent changes in the consumer price index in China for 2009, 2010 and 2011 were a decrease of 0.7%, an increase of 3.3% and an increase of 5.4%, respectively. The year-over-year percent changes in the consumer price index for February 2010, 2011 and 2012 were an increase of 2.7%, 4.9% and 3.2%, 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.

## B. Liquidity and Capital Resources

*Liquidity. The following table sets forth the summary of our cash flows for the periods indicated:*

	For the Year Ended December 31,			US\$
	2009	2010	2011	
	RMB	RMB	RMB	
	(in thousands)			
Net cash provided by operating activities	1,027,588	1,550,218	1,851,315	294,144
Net cash used in investing activities	(762,367)	(2,440,400)	(339,947)	(54,012)
Net cash (used in)/provided by financing activities	96,858	1,625,348	(114,749)	(18,232)
Effect of foreign exchange rate changes on cash and cash equivalents	2,712	(15,849)	(47,126)	(7,487)
Net increase in cash and cash equivalents	364,791	719,317	1,349,493	214,413
Cash and cash equivalents at beginning of year	1,069,827	1,434,618	2,153,935	342,226
Cash and cash equivalents at end of year	1,434,618	2,153,935	3,503,428	556,639

Net cash provided by operating activities amounted to RMB1.9 billion (US\$294 million) in 2011, which was primarily attributable to (i) our net income of RMB1.1 billion (US\$172 million) in 2011; (ii) an increase in advances from customers of RMB487.0 million (US\$77 million), primarily due to the increased demand for packaged-tour services, as customers are usually required to make full payments for packaged-tour services when ordering such services; (iii) an add-back of RMB375.3 million (US\$59.6 million) in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iv) an increase in accounts payable of RMB166.4 million (US\$26 million), primarily due to the increased volume of air-ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers. These increases were partially offset by (i) an increase in prepayments and other current assets of RMB203.7 million (US\$32 million), primarily due to the increased demand for packaged-tour services and increased volume of air ticket booking, as we generally pay advances to our packaged-tour services suppliers and to third-party payment platforms for their air ticket services, respectively; and (ii) an increase in accounts receivable of RMB166.7 million (US\$26 million), primarily due to the increased volume of corporate travel management services as our corporate customers normally receive certain credit terms from us for the full amount of the prices of the air tickets issued and hotel rooms reserved.

Net cash provided by operating activities amounted to RMB1.6 billion in 2010, primarily attributable to (i) our net income of RMB1.1 billion in 2010; (ii) an add-back of RMB235.0 million in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iii) an increase in accounts payable of RMB186.3 million primarily due to the increased volume of air-ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers; and (iv) an increase in advances from customers of RMB232.2 million primarily due to the increased demand for packaged-tour services, as customers are usually required to make full payments for packaged-tour services when ordering such services; and (iv) an increase in accounts payable of RMB186.3 million primarily due to the increased volume of air-ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers. These increases were partially offset by an increase in accounts receivable of RMB179.5 million primarily due to the increased volume of corporate travel management services as our corporate customers normally receive certain credit terms from us for the full amount of the prices of the air tickets issued and hotel rooms reserved.

Net cash provided by operating activities amounted to RMB1.0 billion in 2009, which was primarily attributable to (i) our net income of RMB666.8 million in 2009; (ii) an add-back of RMB141.0 million in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iii) an increase in accounts payable of RMB111.3 million, primarily due to the increased volume of air-ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers; (iv) an increase in taxes payable of RMB84.4 million, primarily due to the delayed payments and (v) an increase in advances from customers of RMB51.8 million, primarily due to the increased demand for packaged-tour services, as customers are usually required to make full payments for packaged-tour services when ordering such services. These increases were partially offset by an increase in accounts receivable of RMB143.2 million, primarily due to the increased volume of corporate travel management services as our corporate customers normally get certain credit terms from us for the full amount of prices for the air tickets issued and hotel rooms reserved.

Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — Our subsidiaries and affiliated Chinese entities in China are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.”

Net cash used in investing activities amounted to RMB339.9 million (US\$54 million) in 2011, compared to net cash used in investing activities of RMB2.4 billion in 2010. This decrease in 2011 was primarily due to the lower increase of short term investment, the lower amount of investments in other companies and the fact that the construction of our Nantong customer service center was completed in 2010. Net cash used in investing activities amounted to RMB2.4 billion in 2010, compared to net cash used in investing activities of RMB762 million in 2009. This increase in 2010 from 2009 was primarily due to the increase of short term investment, acquisition of new businesses and investment in Wing On Travel, China Lodging Group, and other companies, and the cash used in connection with the construction of our Nantong customer service center.

Net cash used by financing activities amounted to RMB114.7 million (US\$18 million) in 2011, compared to net cash provided by financing activities of RMB1.6 billion in 2010 and RMB97 million in 2009. We did not make any dividend payment in 2009, 2010 and 2011. The change of net cash flow in financing activities in 2011 was mainly due to our share repurchase in the amount of RMB158.8 million (US\$25 million) and the fact that a share offering of RMB1.6 billion was made in 2010.

#### *Capital Resources*

As of December 31, 2011, our primary source of liquidity was RMB5.0 billion (US\$ 795 million) of cash, cash equivalents and short-term investment. Except as disclosed in this annual report, we have no outstanding bank loans or financial guarantees or similar commitments to guarantee the payment obligations of third parties. We believe that our current cash and cash equivalents, our cash flow from operations and proceeds from our financing activities will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the foreseeable future and at least the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue.

As of December 31, 2011, our primary capital commitment was RMB335 million (US\$53 million) in connection with capital expenditures of property, equipment and software.

#### *C. Research and Development, Patents and Licenses, Etc.*

Our research and development efforts consist of continuing to develop our proprietary technology as well as incorporating new technologies from third parties. We intend to continue to upgrade our proprietary booking, customer relationship management and yield management software to keep up with the continued growth in our transaction volume and the rapidly evolving technological conditions. We will also seek to continue to enhance our electronic confirmation system and promote such system with more hotel suppliers, as we believe that the electronic confirmation system is a cost-effective and convenient way for hotels to interface with us.

In addition, we have utilized and will continue to utilize the products and services of third parties to support our technology platform.

#### *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 from January 1, 2011 to December 31, 2011 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

### E. Off-Balance Sheet Arrangements

In connection with our air ticketing business, we are required by the Civil Aviation Administration of China, International Air Transport Association, and local airline companies to pay deposits or to provide other guarantees in order to obtain blank air tickets. As of December 31, 2011, the amount under these guarantee arrangements was approximately RMB777 million (US\$123 million).

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

### F. Tabular Disclosure of Contractual Obligations

The following sets forth our contractual obligations as of December 31, 2011:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
		(in RMB thousands)			
Operating lease obligations	80,425	37,054	35,192	8,179	—
Purchase obligations	335,273	334,645	629	—	—
	415,698	371,699	35,821	8,179	—

Operating lease obligations for the years 2012, 2013, 2014, 2015 and 2016 are RMB37.1 million, RMB22.4 million, RMB12.7 million, RMB6.8 million and RMB1.4 million, respectively. Rental expenses amounted to approximately RMB26 million, RMB46 million and RMB66 million (US\$11 million) for the years ended December 31, 2009, 2010 and 2011, respectively. Rental expense is charged to the statements of income when incurred.

While the table above indicates our contractual obligations as of December 31, 2011, the actual amounts we are eventually required to pay may be different in the event that any agreements are renegotiated, cancelled or terminated.

### G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “may,” “will,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate,” “is/are likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things:

- our anticipated growth strategies;
- our future business development, results of operations and financial condition;
- our ability to continue to control costs and maintain profitability; and
- the expected growth in the overall economy and demand for travel services in China.

The forward-looking statements included in this annual report on Form 20-F are subject to risks, uncertainties and assumptions about our company. Our actual results of operations may differ materially from the forward-looking statements as a result of the risk factors described under “Item 3.D. Risk Factors,” including the following risks:

- slow-down of economic growth in China and the global economic downturn may have a material and adverse effect on our business, and may materially and adversely affect our growth and profitability;
- general declines or disruptions in the travel industry may materially and adversely affect our business and results of operations;
- the trading price of our ADSs has been volatile historically and may continue to be volatile regardless of our operating performance;

- if we are unable to maintain existing relationships with travel suppliers and strategic alliances, or establish new arrangements with travel suppliers and strategic alliances similar to those we currently have, our business may suffer;
- if we fail to further increase our brand recognition, we may face difficulty in retaining existing and acquiring new business partners and customers, and our business may be harmed;
- if we do not compete successfully against new and existing competitors, we may lose our market share, and our business and results of operations may be materially and adversely affected;
- our business could suffer if we do not successfully manage current growth and potential future growth;
- our strategy to acquire or invest in complementary businesses and assets involves significant risks and uncertainty that may prevent us from achieving our objectives and harm our financial condition and results of operations;
- our quarterly results are likely to fluctuate because of seasonality in the travel industry in Greater China;
- our business may be harmed if our infrastructure and technology are damaged or otherwise fail or become obsolete;
- our business depends substantially on the continuing efforts of our key executives, and our business may be severely disrupted if we lose their services;
- inflation in China may disrupt our business and have an adverse effect on our financial condition and results of operations; and
- if the ownership structure of our affiliated Chinese entities and the contractual arrangements among us, our consolidated affiliated Chinese entities and their shareholders are found to be in violation of any PRC laws or regulations, we and/or our affiliated Chinese entities may be subject to fines and other penalties, which may adversely affect our business and results of operations.

These risks are not exhaustive. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. You should read these statements in conjunction with the risk factors disclosed in Item 3.D. of this annual report, “—Risk Factors,” and other risks outlined in our other filings with the Securities and Exchange Commission. Moreover, we operate in an emerging and evolving environment. New risk factors may emerge from time to time, and it is not possible 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 statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

The names of our current directors and senior management, their ages as of the date of this annual report and the principal positions with Ctrip.com International, Ltd. held by them are as follows:

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
James Jianzhang Liang	42	Co-founder; Chairman of the Board
Min Fan	47	Co-founder; President; Chief Executive Officer; Executive Director
Jane Jie Sun	43	Chief Financial Officer
Jenny Wenjie Wu	37	Deputy Chief Financial Officer
Neil Nanpeng Shen(1)	44	Co-founder; Independent Director
Qi Ji	45	Co-founder; Independent Director
Gabriel Li(1)	44	Deputy Chairman of the Board, Independent Director
JP Gan(1) (2)	40	Independent Director
Suyang Zhang(2)	53	Independent Director
Jianmin Zhu	43	Senior Vice President
Maohua Sun	40	Senior Vice President
James Lan Tang	44	Senior Vice President
Shaw Xiaoliang Ding	47	Vice President
Cindy Xiaofan Wang	37	Vice President
Yuxiang Zhuang	36	Vice President
Dongjie Guo	45	Vice President
Hao Jiang	38	Vice President
Xiaoping Li	50	Vice President
Jiqin Fang	42	Assistant President
Christine Tingting Zhang	38	Assistant President
Herb Qi Shi	41	Assistant President

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

Pursuant to the current articles of association of our company, our board of directors shall consist of no more than nine directors, including (i) three directors appointed by our co-founders consisting of Messrs James Jianzhang Liang, Neil Nanpeng Shen, Qi Ji and Min Fan, subject to the approval of a majority of our independent directors; and (ii) one director who is the then current chief executive officer of our company. Each of our directors will hold office until such director's successor is elected and duly qualified, or until such director's earlier death, bankruptcy, insanity, resignation or removal. There are no family relationships among any of the directors or executive officers of our company.

### Biographical Information

*James Jianzhang Liang* is one of the co-founders of our company. Mr. Liang served as our chief executive officer from 2000 to January 2006 and has served as a member of our board of directors since our inception. He has been the chairman of our board since August 2003. Prior to founding our company, Mr. Liang held a number of technical and managerial positions with Oracle Corporation from 1991 to 1999 in the United States and China, including the head of the ERP consulting division of Oracle China from 1997 to 1999. Mr. Liang currently serves on the boards of Home Inns and 51job.com Inc. listed on Nasdaq. Mr. Liang received his Ph.D. degree from Stanford University and his Master's and Bachelor's degrees from Georgia Institute of Technology. He also attended an undergraduate program at Fudan University.

*Min Fan* is one of the co-founders of our company and has served as the chief executive officer of our company since January 2006, as our director since October 2006 and as our president since February 2009. Mr. Fan served as our chief operating officer from November 2004 to January 2006. Prior to that, he served as our executive vice president from 2000 to November 2004. From 1997 to 2000, Mr. Fan was the chief executive officer of Shanghai Travel Service Company, a leading domestic travel agency in China. From 1990 to 1997, he served as the deputy general manager and in a number of other senior positions at Shanghai New Asia Hotel Management Company, which was one of the leading hotel management companies in China. Mr. Fan currently serves on the boards and compensation committees of Perfectenergy International, Ltd. and China Edu Corporation, and serves on the board of directors of China Lodging Group, Limited. Mr. Fan obtained his Master's and Bachelor's degrees from Shanghai Jiao Tong University. He also studied at the Lausanne Hotel Management School of Switzerland in 1995.

*Jane Jie Sun* has served as our chief financial officer since December 2005. Ms. Sun has extensive experience in SEC reporting, finance and accounting. Prior to joining us, Ms. Sun served as the head of the SEC and external reporting division of Applied Materials, Inc., where she worked from 1997 to 2005. Prior to joining Applied Materials, Inc., Ms. Sun worked with KPMG LLP in Silicon Valley, California for five years. Ms. Sun is a member of the American Institute of Certified Public Accountants and a member of the State of California Certified Public Accountants. Ms. Sun currently serves on the board of TAL Education Group, a company listed on the New York Stock Exchange. Ms. Sun received her Bachelor's degree in Accounting from University of Florida with High Honors. She also attended Beijing University Law School and obtained an LLM degree.

*Jenny Wenjie Wu* has served as our deputy chief financial officer since December 2011. Before joining us, Ms. Wu was an equity research analyst covering China Internet and Media industries in Citi Investment Research & Analysis in 2011 and in Morgan Stanley Asia Limited from 2005 to 2011. Prior to that, Ms. Wu was working in the Department of Enterprises Operation and Management in China Merchants Holdings International, a company listed on the Hong Kong Stock Exchange, from 2003 to 2005. Ms. Wu holds a Ph.D. degree in finance from the University of Hong Kong, a Master's degree in philosophy in finance from the Hong Kong University of Science and Technology, both a Master's degree and a Bachelor's degree in economics from Nan Kai University, China. Ms. Wu is a Chartered Financial Analyst (CFA) since 2004.

*Neil Nanpeng Shen* is one of the co-founders of our company and has been our company's director since our inception. Mr. Shen is the founding managing partner of Sequoia Capital China. Mr. Shen served as our chief financial officer from 2000 to October 2005 and as president from August 2003 to October 2005. Prior to founding our company, Mr. Shen had worked for more than eight years in the investment banking industry in New York and Hong Kong. Currently, Mr. Shen is the co-chairman of Home Inns, an independent director of Focus Media Holding Limited, a Nasdaq-listed media advertising company based in China, and a non-executive director of E-House (China) Holdings Limited, a leading real estate services company based in China and listed in the New York Stock Exchange, a non-executive director of China Real Estate Information Group listed on Nasdaq, a non-executive director of Peak Sports, a Hong Kong listed sports apparel company in China, a non-executive director of China Nuokang Bio-Pharmaceutical listed on Nasdaq, a non-executive director of Le Gaga Holdings Limited listed on Nasdaq, a non-executive chairman of Mecox Lane Limited listed on Nasdaq as well as an independent director of American Dairy Inc. an NYSE-listed infant milk powder company in China. He was awarded "Economic Figure of the Year" by CCTV in 2006 and was voted as the Top Venture Capitalist in China by Zero2IPO, Forbes Magazine and Global Entrepreneur Magazine. Mr. Shen received his Master's degree from the School of Management at Yale University and his Bachelor's degree from Shanghai Jiao Tong University.

*Qi Ji* is one of the co-founders of our company. He has served as our director since our inception. Mr. Ji is the executive chairman of China Lodging Group, Limited, or Hanting, a leading economy hotel chain in China. He was the chief executive officer of Home Inns from 2002 to January 2005. He was the chief executive officer and the president of our company from 1999 to early 2002 consecutively. Prior to founding our company, he served as the chief executive officer of Shanghai Sunflower High-Tech Group which he founded in 1997. He headed the East China Division of Beijing Zhonghua Yinghua Intelligence System Co., Ltd. from 1995 to 1997. He received both his Master's and Bachelor's degrees from Shanghai Jiao Tong University.

*Gabriel Li* has served at different times on our board of directors since 2000. Mr. Li has been deputy chairman of our board since August 2003. Mr. Li is the managing director and investment committee member of Orchid Asia Group Management, a private equity firm focused on investment in China and Asia for over the past 18 years. Prior to Orchid Asia, Mr. Li was a managing director at the Carlyle Group in Hong Kong, overseeing Asian technology investments. From 1997 to 2000, he was at Orchid Asia's predecessor, where he made numerous investments in China and North Asia. Previously, he was a management consultant at McKinsey & Co in Hong Kong and Los Angeles. Mr. Li is also a director of a number of privately held companies. Mr. Li graduated summa cum laude from the University of California at Berkeley, earned his Master's degree in Science from the Massachusetts Institute of Technology and his Master's degree in Business Administration from Stanford Business School.

*JP Gan* has served as our director since 2002. Mr. Gan is a managing director and a member of investment committee of Qiming Venture Partners. From 2005 to 2006, Mr. Gan was the chief financial officer of KongZhong corporation, a Nasdaq-listed wireless Internet company. Prior to joining KongZhong, Mr. Gan was a director of The Carlyle Group responsible for venture capital investments in the Greater China region from 2000 to 2005. Mr. Gan worked at the investment banking division of Merrill Lynch, in Hong Kong from 1999 to 2000, and worked at Price Waterhouse in the United States from 1994 to 1997. Mr. Gan is a member of the boards of directors of Taomee Holdings Ltd. and Jiayuan.com International Ltd., both US-listed companies. Mr. Gan obtained his Masters of Business Administration from the University Of Chicago Graduate School of Business and his Bachelor of Business Administration from the University of Iowa.

*Suyang Zhang* has served as our director since November 2004. He previously served as our director from December 1999 to June 2004. Mr. Zhang is currently a vice president of IDG Capital Investment Consultancy (Beijing) Co., Ltd., where he has worked since 1996, and the general manager of Shanghai Pacific Technology Venture Fund Co., Ltd., where he has worked since 1994. Mr. Zhang has led his firms' investments in a number of high-tech projects in the areas of electronics, telecommunications and software in recent years. He previously served as a division manager of Shanghai Bell, deputy director of Shanghai Telephone Equipment Manufacturing Company, and general manager of Shanghai Vantone Industrial Co. Ltd. He currently serves on the boards of several privately held companies, including Baud Data Communications Co., Ltd. Mr. Zhang holds a Bachelor of Electronics Engineering from Shanghai University and an Executive Masters of Business Administration from China European International Business School.

*Jianmin Zhu* has served as our senior vice president since January 2008. He has served in a number of managerial positions in our company since 2000. Prior to joining us, he worked with several software and system integration companies, including Compaq and RPTI International Ltd. He was a senior consultant at Compaq from 1999 to 2000 and technical director of RPTI International Ltd. from 1995 to 1998. Mr. Zhu received his Bachelor's degree from Shanghai Jiao Tong University.

*Maohua Sun* has served as our senior vice president since December 1, 2009. Ms. Sun joined us in 2000 and has held a number of managerial positions at our company. Prior to joining us, Ms. Sun worked at the Jinjiang Group, a hotel management company in China, from 1994 to 2000. Ms. Sun received her Bachelor's degree from Shanghai Jiao Tong University.

*James Lan Tang* has served as our vice president since April 2005 and was promoted to serve as our senior vice president in January 2011. Prior to joining us, he worked as a marketing manager in Perfetti Van Melle Co. Ltd. in Shanghai from 2000 to 2005. Prior to that, Mr. Tang worked as a marketing manager and a financial analysis manager at YueSai Kan—Coty Cosmetics Inc. in Shanghai from 1997 to 2000. Mr. Tang received his Bachelor's degree from Shanghai Jiao Tong University and Master's degree in Economics from Virginia Commonwealth University in the United States.

*Shaw Xiaoliang Ding* has served as our vice president since 2007. Prior to joining us, he was general manager of Beijing Jianguo Hotel, one of the first joint-venture hotels in China, from late 2004 to February 2007. Previously, he was general manager of the marketing division of Beijing Tourism Group, one of the largest tourism enterprises in China, from August 2001 to December 2004. From 1994 to 2001, Mr. Ding held various senior positions at Beijing International Hotel, Hualong International Hotel Management Company and Intel (China) Corporation. Mr. Ding received his Master's degree from Business School of Rutgers University and his Bachelor's degree from Beijing Institute of International Politics.

*Cindy Xiaofan Wang* has served as our vice president since January 2008. Ms. Wang joined us in 2001 and has held a number of managerial positions at our company. Prior to joining us, she served as finance manager in China eLabs, a venture capital firm from 2000 to 2001. Previously, Ms. Wang worked with PricewaterhouseCoopers Zhong Tian CPAs Limited Company. Ms. Wang received her Master's degree from Catholic University Leuven, Belgium and her Bachelor's degree from Shanghai Jiao Tong University.

*Yuxiang Zhuang* has served as our vice president since January 2008. He has served in a number of managerial positions in our company since 2000. Prior to joining us, he worked as assistant general manager in Shanghai Ba-shi Travel Agency from July 1998 to February 2000. Mr. Zhuang received his Bachelor's degree from Fudan University.

*Dongjie Guo* has served as our vice president since March 2008. Prior to joining us, he worked as marketing director in Beijing Tourism Group, one of the largest tourism enterprises in China, from September 2007 to March 2008. From July 1998 to August 2007, Mr. Guo served as vice president and the president of China Comfort Travel Service Group consecutively. From 1988 to 1998, Mr. Guo held various senior positions at China Youth Travel Service Group. Mr. Guo received his Master's degree in Business Administration from Fordham University and his Bachelor's degree in Literature from Beijing University.

*Hao Jiang* has served as our vice president since July 2009. Mr. Jiang joined us in 1999 and has held a number of managerial positions at our company. Prior to joining us, he served at several software and system integration companies from 1996 to 1999. Previously, Mr. Jiang worked in a scientific research institution. Mr. Jiang received his Bachelor's degree from Shanghai Jiao Tong University.

*Xiaoping Li* has served as our vice president since January 2009. Prior to joining us, Mr. Li worked as deputy general manager of the commerce department of Shanghai Airline from 1997 to 2008. Previously, Mr. Li worked in the China Pacific Insurance (Group) Co.,Ltd. Shanghai Branch. Mr Li received his Masters of Business Administration from Fudan University and his Bachelor's degree from East China Normal University.

*Jiqin Fang* has served as our assistant president since January 2011. He has served in a number of managerial positions in our company since 2000. Prior to join us, Mr. Fang worked with BizExpress International Limited from 1999 to 2000. Mr. Fang received his Bachelor's degree from East China University of Metallurgy.

*Christine Tingting Zhang* has served as our assistant president since Jan 2011. Ms. Zhang joined us in 2000 and has held a number of managerial positions at our company. Prior to joining us, she worked at Amoy Food Limited, a subsidiary company of DANONE Group, from 1997 to 2000. Prior to that, Ms. Zhang worked in the Shanghai office of DANONE Group from 1995 to 1997.

*Herb Qi Shi*, has served as our assistant president since January 2011. He has served in a number of managerial positions in our company since 2000. Prior to joining us, Mr. Shi held various senior positions of human resource management at GlaxoWellcome China Ltd, and Van Houten Food Co., Ltd. Mr. Shi obtained his Masters of Business Administration and Bachelor degree from Shanghai Jiao Tong University.

## B. Compensation

We have entered into a standard form of director agreement with each of our directors. Under these agreements, we paid cash compensation (inclusive of directors' fees) to our directors in an aggregate amount of US\$0.7 million in 2011. Directors are reimbursed for all expenses incurred in connection with each Board of Directors meeting and when carrying out their duties as directors of our company. See "—Employee's Stock Option Plans" for options granted to our directors in 2011.

We have entered into standard forms of employment agreements with our executive officers. Under these agreements, we paid cash compensation to our executive officers in an aggregate amount of US\$1.4 million in 2011. These agreements provide for terms of service, salary and additional cash compensation arrangements, all of which have been reflected in the 2011 aggregate compensation amount. See "—Employee's Stock Option Plans" for options granted to our executive officers in 2011.

Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment and other statutory benefits. Except for the above statutory contributions, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors.

### **Employee's Share Incentive Plans**

Our board of directors has adopted four share incentive plans, namely, the 2007 Share Incentive Plan, or the 2007 Plan, the 2005 Employee's Stock Option Plan, or the 2005 Plan, the 2003 Employee's Option Plan, or the 2003 Plan, and the 2000 Employee's Stock Option Plan, or the 2000 Plan. The terms of the 2005 Plan, the 2003 Plan and the 2000 Plan are substantially similar. The purpose of the plans is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, officers and directors and to promote the success of our business. Our board of directors believes that our company's long-term success is dependent upon our ability to attract and retain superior individuals who, by virtue of their ability and qualifications, make important contributions to our business.

As of February 29, 2012, the 2005 Plan, the 2003 Plan and the 2000 Plan have all terminated and there were 1,231,775 options issued and outstanding under the 2005 Plan. Under the 2007 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to awards was 5,000,000 as of the first business day of 2011, with annual increases of 1,000,000 ordinary shares on the first business day of each subsequent calendar year until the termination of the plan. Under the 2007 Plan, 2,272,750 options and 591,231 restricted share units were issued and outstanding as of February 29, 2011.

On November 17, 2008, our board of directors amended our 2007 Plan. The main substantive amendments relate to the addition of provisions that explicitly allow us to adjust the exercise price per share of an option under the plan.

In February 2009, our board of directors approved to reduce the exercise price of all outstanding unvested options that were granted by us in 2007 and 2008 under our 2007 Plan to the then fair market value of our ordinary shares underlying such options. The then fair market value was based on the closing price of our ADSs traded on the Nasdaq Global Select Market as of February 10, 2009, which was the last trading day prior to the board approval. In addition, our board of directors approved to change the vesting commencement date of these unvested options to February 10, 2009 with a new vesting period. Other terms of the option grants remain unchanged. All option grantees affected by such changes have entered into amendments to their original share option agreements with us.

In December 2009, our board of directors approved to extend the expiration dates of all stock options granted in 2005 and 2006 to eight years after the respective original grant dates of these options.

In February 2010, our compensation committee approved an option modification to extend the expiration dates of all stock options granted in and after 2007 to eight years after the respective original grant dates of these options.

The following table summarizes, as of February 29, 2012, the outstanding options granted under our 2005 and 2007 Plans to the individual executive officers and directors named below, and to the other optionees in the aggregate. The table gives effect to the amendments described above.

	Ordinary Shares Underlying Options Granted	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
James Jianzhang Liang	76,667	19.455	January 24, 2005	January 24, 2013
	100,000	26.225	December 9, 2005	December 9, 2013
	16,667	58.39	February 13, 2007	February 13, 2015
	33,333	38.16	February 13, 2007	February 10, 2017
	50,000	38.16	January 7, 2008	February 10, 2017
	20,000	37.56	January 23, 2009	January 23, 2017
	20,000	96.70	September 1, 2009	September 1, 2017
	50,000	102.84	November 18, 2011	November 18, 2019
Qi Ji	4,444	38.16	August 13, 2007	February 10, 2017
Neil Nanpeng Shen	40,000	19.455	January 24, 2005	January 24, 2013
	7,000	58.39	February 13, 2007	February 13, 2015
	14,000	38.16	February 13, 2007	February 10, 2017
	15,000	125.16	January 29, 2010	January 29, 2018
Min Fan	100,000	26.225	December 9, 2005	December 9, 2013
	66,667	58.39	February 13, 2007	February 13, 2015
	133,333	38.16	February 13, 2007	February 10, 2017
	250,000	38.16	January 7, 2008	February 10, 2017
	100,000	37.56	January 23, 2009	January 23, 2017
	100,000	96.70	September 1, 2009	September 1, 2017
	100,000	102.84	November 18, 2011	November 18, 2019
Jane Jie Sun	50,000	26.225	December 9, 2005	December 9, 2013
	33,333	58.39	February 13, 2007	February 13, 2015
	66,667	38.16	February 13, 2007	February 10, 2017
	150,000	38.16	January 7, 2008	February 10, 2017
	60,000	37.56	January 23, 2009	January 23, 2017
	60,000	96.70	September 1, 2009	September 1, 2017
	120,000	102.84	November 18, 2011	November 18, 2018
JP Gan	14,000	38.16	February 13, 2007	February 10, 2017
Suyang Zhang	7,000	58.39	February 13, 2007	February 13, 2015
	14,000	38.16	February 13, 2007	February 10, 2017
Gabriel Li	7,000	58.39	February 13, 2007	February 13, 2015
	14,000	38.16	February 13, 2007	February 10, 2017
Other Employees	1,611,414	From 19.455 to 158.44	From January 24, 2005 to November 18, 2011	From January 24, 2013 to November 18, 2019
Total	3,504,525			

The following table summarizes, as of February 29, 2012, the outstanding restricted share units granted under our 2007 Plans to the individual executive officers and directors named below, and to the other employees in the aggregate.

	Ordinary Shares Underlying Restricted Share Unit Granted	Date of Grant
James Jianzhang Liang	6,667	January 29, 2010
	12,500	March 1, 2011
Qi Ji	1,667	January 29, 2010
Min Fan	33,333	January 29, 2010
	50,000	March 1, 2011
	33,333	November 8, 2011
Jane Jie Sun	20,000	January 29, 2010
	30,000	March 1, 2011
JP Gan	2,500	January 29, 2010
Suyang Zhang	2,500	January 29, 2010
Gabriel Li	2,500	January 29, 2010
Other Employees		From January 29, 2010 to November 18, 2011
Total	396,231	
	591,231	

The following paragraphs summarize the principal terms of our 2005 Plan.

*Termination of Options.* Where the option agreement permits the exercise or purchase of the options granted for a certain period of time following the recipient's termination of service with us, or the recipient's disability or death, the options will terminate to the extent not exercised or purchased on the last day of the specified period or the last day of the original term of the options, whichever occurs first.

*Administration.* Our stock option plans are administered by our board of directors or a committee designated by our board of directors constituted to comply with applicable laws. In each case, our board of directors or the committee it designates will determine the provisions, terms and conditions of each option grant, including, but not limited to, the option vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment upon settlement of the award, payment contingencies and satisfaction of any performance criteria.

*Vesting Schedule.* One-third of the options granted under our stock option plans vest 12 months after a specified vesting commencement date; an additional one-third vest 24 months after the specified vesting commencement date and the remaining one-third vest 36 months after the specified vesting commencement date, subject to the optionee continuing to be a service provider on each of such dates.

*Option Agreement.* Options granted under our stock option plans are evidenced by an option agreement that contains, among other things, provisions concerning exercisability and forfeiture upon termination of employment or consulting arrangement (by reason of death, disability or otherwise), as determined by our board.

*Transfer Restrictions.* Options granted under any of our 2005 Plan may not be transferred in any manner by the optionee other than by will or the laws of succession and are exercisable during the lifetime of the optionee only by the optionee.

*Option Exercise.* The term of options granted under the 2005 Plan may not exceed ten years from the date of grant. As of the date hereof, under the relevant option agreements, all the options granted to our employees have the expiration term of five years from the date of grant thereof except for stock options granted in 2005 and 2006, the term of which has been extended to eight years from the date of grant. These share options are vested over a period of three years. The consideration to be paid for our ordinary shares upon exercise of an option or purchase of shares underlying the option will be determined by the stock option plan administrator and may include cash, check, ordinary shares, a promissory note, consideration received by us under a cashless exercise program implemented by us in connection with our stock option plans, or any combination of the foregoing methods of payment.

*Third-Party Acquisition.* If a third party acquires us through the purchase of all or substantially all of our assets, a merger or other business combination, all outstanding options or share purchase rights will be assumed or equivalent options or rights substituted by the successor corporation or parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the options or share purchase rights, all options or share purchase rights will become fully vested and exercisable immediately prior to such transaction and all unexercised awards will terminate.

*Termination or Amendment of Plans.* The 2005 Plan terminated automatically in 2009.

The following paragraphs summarize the terms of our 2007 Plan, which was amended and restated effective November 17, 2008:

*Plan Administration.* Our board of directors, or a committee designated by our board or directors, will administer the plan. The committee or the full board of directors, as appropriate, will determine the type or types of incentive share awards to be granted and provisions and terms and conditions of each grant and may at their absolute discretion adjust the exercise price of an option grant. The exercise price per share subject to an option may be reduced by the committee or the full board of directors, without shareholder or option holder approval. The types of incentive share awards pursuant to the 2007 Plan include, among other things, an option, a restricted share award, a share appreciation right award and a restricted share unit award.

*Award Agreements.* Options and stock purchase rights granted under our plan are evidenced by a stock option agreement or a stock purchase right agreement, as applicable, that sets forth the terms, conditions and limitations for each grant.

*Eligibility.* We may grant awards to our employees, directors and consultants or any of our related entities, which include our subsidiaries or any entities which are not subsidiaries but are consolidated in our consolidated financial statements prepared under U.S. GAAP.

*Acceleration of Options upon Corporate Transactions.* The outstanding options will terminate and accelerate upon occurrence of a change of control corporate transaction where the successor entity does not assume our outstanding options under the plan. In such event, each outstanding option will become fully vested and immediately exercisable, and the transfer restrictions on the awards will be released and the repurchase or forfeiture rights will terminate immediately before the date of the change of control transaction provided that the grantee's continuous service with us shall not be terminated before that date.

*Term of the Options.* The term of each option grant shall be stated in the stock option agreement, provided that the term shall not exceed ten years from the date of the grant, and in the case of incentive share options, five years from the date of the grant.

*Vesting Schedule.* In general, the plan administrator determines, or the stock option agreement specifies, the vesting schedule. One-third of the options granted under our stock option plan vest 24 months after a specified vesting commencement date, an additional one-third vest 36 months after the specified vesting commencement date and the remaining one-third vest 48 months after the specified vesting commencement date, subject to other terms under the option plan.

*Other Equity Awards.* In addition to stock options, we may also grant to our employees, directors and consultants or any of our related entities share appreciation rights, restricted share awards, restricted share unit awards, deferred share awards, dividend equivalents and share payment awards, with such terms and conditions as our board of directors (or, if applicable, the compensation committee) may, subject to the terms of the plan, establish.

*Transfer Restrictions.* Options to purchase our ordinary shares may not be transferred in any manner by the optionee other than by will or the laws of succession and may be exercised during the lifetime of the optionee only by the optionee.

*Termination or Amendment of the Plan.* Unless terminated earlier, the plan will terminate automatically in 2017. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law, regulation or stock exchange rule. We must also generally obtain approval of our shareholders to (i) increase the number of shares available under the plan (other than any adjustment as described above), (ii) permit the grant of options with an exercise price that is below fair market value on the date of grant, (iii) extend the exercise period for an option beyond ten years from the date of grant, or (iv) results in a material increase in benefits or a change in eligibility requirements.

### *C. Board Practices*

In 2011, our directors held meetings or passed resolutions by unanimous written consent five times. No director participated in fewer than 75% of all the meetings of our board and its committees on which he served. No director is entitled to any severance benefits upon termination of his directorship with us. As of the date of this annual report, a majority of our directors meet the “independence” definition under The Nasdaq Stock Market, Inc. Marketplace Rules, or the Nasdaq Rules.

### **Committees of the Board of Directors**

*Audit Committee.* Our audit committee reports to the board regarding the appointment of our independent auditors, the scope and results of our annual audits, compliance with our accounting and financial policies and management’s procedures and policies relatively to the adequacy of our internal accounting controls.

As of the date of this annual report, our audit committee consists of Messrs. Gan, Li and Shen. All of these directors meet the audit committee independence standard under Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The independence definition under Rules 5605 of the Nasdaq Rules is met by Messrs. Gan, Li and Shen. In addition, all the members of our audit committee qualify as “audit committee financial experts” as defined in the relevant Nasdaq Rules. In 2011, our audit committee held meetings or passed resolutions by unanimous written consent four times.

*Compensation Committee.* Our compensation committee reviews and evaluates and, if necessary, revises the compensation policies adopted by the management. Our compensation committee also determines all forms of compensation to be provided to our senior executive officers. In addition, the compensation committee reviews all annual bonuses, long-term incentive compensation, share options, employee pension and welfare benefit plans. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated.

As of the date of this annual report, our compensation committee consists of Messrs. Zhang and Gan, both of whom meet the “independence” definition under the Nasdaq Rules. In 2011, our compensation committee held three meetings.

### **Duties of Directors**

Under Cayman Islands law, our directors have a duty of loyalty to act honestly and in good faith in the best interests of our company. 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. Our articles of association govern the way our company is operated and the powers granted to the directors to manage the daily affairs of our company.

## Terms of Directors and Officers

All directors hold office until their successors have been duly elected and qualified unless such office is vacated earlier in accordance with the articles of association. A director may only be removed by the shareholders who appointed such director, except in the case of ordinary directors, who may be removed by ordinary resolutions of the shareholders. Officers are elected by and serve at the discretion of the board of directors.

### D. Employees

As of December 31, 2011, we had approximately 16,100 employees, including approximately 1,000 in management and administration, approximately 9,000 in our customer service centers, approximately 1,900 in sales and marketing, and approximately 4,200 in product development including supplier management personnel and technical support personnel. Most of our employees are based in Shanghai, Beijing, Guangzhou and Shenzhen, and we have certain on-site sales and marketing staffs in approximately 45 major cities in China. We consider our relations with our employees to be good.

### E. Share Ownership

As of February 29, 2012, 35,953,270 of our ordinary shares were issued and outstanding (excluding the 1,086,561 ordinary shares that we reserved for issuance upon the exercise of our outstanding options). As of the same date, there were 3,504,525 options and 591,231 restricted share units issued and outstanding under our 2005 Plan and 2007 Plan, which, once vested, are exercisable for the equivalent amount of our ordinary shares. For information regarding 2005 Plan and 2007 Plan, see "Item 6.B. Compensation." Our shareholders are entitled to vote together as a single class on all matters submitted to shareholders vote. No shareholder has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, taking into account the aggregate number of ordinary shares underlying share options that were outstanding as of, and exercisable within 60 days after, February 29, 2012, by each of our directors and senior management. For information regarding share options granted to our directors and senior executive officers, see "Item 6.B. Compensation." Except as otherwise noted, the address of each person listed in the table is c/o Ctrip.com International, Ltd., 99 Fu Quan Road, Shanghai 200335, People's Republic of China.

	Ordinary Shares Beneficially Owned(1)	
	Number	% (2)
<b>Directors and Senior Management:</b>		
Min Fan(3)	711,022	1.9%
James Jianzhang Liang(4)	513,333	1.4%
Jane Jie Sun(5)	310,000	*
Neil Nanpeng Shen(6)	193,275	*
James Lan Tang(7)	45,981	*
Gabriel Li(8)	36,417	*
Other directors and executive officers as a group, each of whom individually owns less than 0.1%(9)	245,932	*
All directors and officers as a group(10)	2,055,960	5.5%
<b>Principal Shareholders:</b>		
Entities affiliated with OppenheimerFunds, Inc. (11)	7,286,752	20.3%
T. Rowe Price Associates, Inc. (12)	4,164,111	11.6%
Capital World Investors (13)	2,896,625	8.1%
Baillie Gifford & Co (Scottish Partnership) (14)	2,548,693	7.1%
Entities affiliated with Lone Spruce, L.P. (15)	2,351,713	6.6%

\* Less than 1% of our total outstanding ordinary shares.

Notes: (1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to the securities.

(2) For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of 35,953,270, being the number of ordinary shares outstanding as of February 29, 2012, and the number of ordinary shares underlying share options held by such person or group that were exercisable within 60 days after February 29, 2012.

- (3) Includes 144,355 ordinary shares held by Perfectpoint International Limited, a British Virgin Islands company owned by Mr. Fan and 566,667 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2012 held by Mr. Fan.
- (4) Includes 233,333 ordinary shares held by Mr. Liang and 280,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2012 held by Mr. Liang.
- (5) Includes 310,000 ordinary shares held by Ms. Sun that were issuable upon exercise of options exercisable within 60 days after February 29, 2012.
- (6) Includes 132,275 ordinary shares held by Mr. Shen and Smart Master International Limited, a British Virgin Islands company owned by Mr. Shen and 61,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2012 held by Mr. Shen. Mr. Shen's business address is Suite 2215, Two Pacific Place, 88 Queensway Road, Hong Kong.
- (7) Includes 16,925 ordinary shares held by Mr. Tang and 29,056 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2012 held by Mr. Tang.
- (8) Includes 15,417 ordinary shares held by Mr. Li and 21,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2012 held by Mr. Tang.
- (9) Includes 23,500 ordinary shares and 222,432 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2012 held by twelve of our current directors and executive officers, excluding Ms. Jenny Wenjie Wu, as a group.
- (10) Includes 565,805 ordinary shares and 1,490,155 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2012 held by all of our current directors and executive officers, other than Ms. Jenny Wenjie Wu, as a group.
- (11) Includes 3,898,122 ordinary shares held by OppenheimerFunds, Inc. and 3,388,630 ordinary shares held by Oppenheimer Developing Markets Fund. Information regarding beneficial ownership is reported as of February 29, 2012, based on the information contained in the Schedule 13G/A filed by OppenheimerFunds, Inc. and Oppenheimer Developing Markets Fund with the SEC on March 6, 2012. Please see the Schedule 13G/A filed by OppenheimerFunds, Inc. and Oppenheimer Developing Markets Fund with the SEC on March 6, 2012 for information relating to OppenheimerFunds, Inc. and Oppenheimer Developing Markets Fund. The business address of OppenheimerFunds, Inc. is Two World Financial Center, 225 Liberty Street, New York, NY 10281, the United States of America. The business address of Oppenheimer Developing Markets Fund is 6803 S. Tucson Way, Centennial, CO 80112, the United States of America.
- (12) Includes 4,164,110.5 ordinary shares held by T. Rowe Price Associates, Inc. Information regarding beneficial ownership is reported as of December 31, 2011, based on the information contained in the Schedule 13G filed by T. Rowe Price Associates Inc. with the SEC on February 14, 2012. Please see the Schedule 13G filed by T. Rowe Price Associates Inc. with the SEC on February 14, 2012 for information relating to T. Rowe Price Associates, Inc. The address for T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202, the United States of America.
- (13) Includes 2,896,625 ordinary shares held by Capital World Investors, a division of Capital Research and Management Company. Information regarding beneficial ownership is reported as of December 30, 2011, based on the information contained in the Schedule 13G filed by Capital World Investors with the SEC on February 10, 2012. Please see the Schedule 13G filed by Capital World Investors with the SEC on February 10, 2012 for information relating to Capital World Investors. The address for Capital World Investors is 333 South Hope Street, Los Angeles, CA 90071, the United States of America.
- (14) Includes 2,548,693 ordinary shares held by Baillie Gifford & Co (Scottish Partnership). Information regarding beneficial ownership is reported as of December 31, 2011, based on the information contained in the Schedule 13G filed by Baillie Gifford & Co (Scottish Partnership) with the SEC on January 17, 2012. Please see the Schedule 13G filed by Baillie Gifford & Co (Scottish Partnership) with the SEC on January 17, 2012 for information relating to Baillie Gifford & Co (Scottish Partnership). The address for Baillie Gifford & Co (Scottish Partnership) is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK.
- (15) Includes 2,351,713 ordinary shares held by entities affiliated with Lone Spruce, L.P., which we refer to collectively as Lone Spruce. Information regarding beneficial ownership is reported as of December 31, 2011, based on the information contained in the Schedule 13G filed by Lone Spruce with the SEC on February 14, 2012. Please see the Schedule 13G filed by Lone Spruce with the SEC on February 14, 2012 for information relating to Lone Spruce. The address for Lone Spruce is Two Greenwich Plaza, Greenwich, Connecticut 06830, the United States of America.

As of February 29, 2012, 35,953,270 of our ordinary shares were issued and outstanding. Based on a review of the February 29, 2012, 35,893,587 ordinary shares, or 99.8% of our total outstanding ordinary shares, were held by two record shareholders in the United States, including 982,764 ordinary shares held of record by The Bank of New York Mellon, the depository of our ADS program. 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.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

Please refer to “Item 6. Share Ownership.”

### B. Related Party Transactions

#### Arrangements with Consolidated Affiliated Chinese Entities

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the air-ticketing, travel agency, advertising and value-added telecommunications businesses in China. Therefore, we conduct part of our operations in our non-hotel reservation businesses through a series of agreements between our PRC subsidiaries and our affiliated Chinese entities, which hold the licenses and approvals for conducting the air-ticketing, travel agency, and value-added telecommunications businesses in China. We do not hold any ownership interest in our affiliated Chinese entities. As of December 31, 2011, our director, chief executive officer and president, Min Fan, our officers, Jianmin Zhu and Maohua Sun, and a family member of a senior officer, Fengying Zhang, were the principal record owners of our affiliated Chinese entities.

As of December 31, 2011:

- Maohua Sun and Ctrip Commerce owned 4% and 96%, respectively, of Beijing Ctrip.
- Maohua Sun and Min Fan owned 10.2% and 89.8%, respectively, of Ctrip Commerce.
- Ctrip Commerce and Maohua Sun owned 99.57% and 0.36% of Shanghai Huacheng, respectively.
- Min Fan and Jianmin Zhu owned 90% and 10%, respectively, of Guangzhou Ctrip International Travel Agency Co., Ltd., or Guangzhou Ctrip, as well as Shenzhen Ctrip.
- Min Fan and Gangyi Yan owned 89.8% and 8.4%, respectively, of Shanghai Ctrip International Travel Agency Co., Ltd. (formerly Shanghai Ctrip Charming International Travel Agency Co., Ltd.), or Shanghai Ctrip.
- Fengying Zhang owned 100% of the equity interest in Nantong Tongcheng Information Technology Co., Ltd., or Nantong Tongcheng.

In December 2010, Mr. Gangyi Yan agreed to enter into equity transfer agreement to transfer the 8.4% equity interests in Shanghai Ctrip that he held to Mr. Min Fan upon our request. We are in the process of completing the necessary documentation and registration to effect the equity transfer.

We believe that the terms of these agreements are no less favorable than the terms that we could obtain from disinterested third parties. The terms of the agreements with the same title between us and our respective affiliated Chinese entities are almost identical except for the amount of the business loans to the shareholders of each entity and the amount of service fees paid by each entity. We believe that Messrs. Fan, Zhu, Yang and Yan and Ms. Zhang will not receive any personal benefits from these agreements except as shareholders of our company. According to our PRC counsel, Commerce & Finance Law Offices, except for those pledges which have not been registered with the relevant Administration for Industry and Commerce, these agreements are valid, binding and enforceable under the current laws and regulations of China. The principal terms of these agreements are described below.

*Powers of Attorney.* Each of Messrs. Fan, Zhu, Yang and Yan and Ms. Zhang has irrevocably appointed our Chief Financial Officer, Jane Jie Sun, as attorney-in-fact to vote on their behalf on all matters they are entitled to vote on, including matters relating to the transfer of any or all of their respective equity interests in our affiliated Chinese entities and the appointment of the chief executive officer of our affiliated Chinese entities. The appointment of Ms. Sun as the attorney-in-fact will terminate if she is no longer employed by one of our subsidiaries in China. The term of each of the powers of attorney is ten years.

*Exclusive Technical Consulting and Services Agreements.* Ctrip Computer Technology and Ctrip Travel Network provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. The initial term of these agreements is ten years. In consideration for our services, our affiliated Chinese entities agree to pay our service fees, which are subject to quarterly adjustment based on their actual operating results. For 2010, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB9 (US\$1) to RMB41 (US\$6) per ticket and from RMB155 (US\$24) to RMB487 (US\$74) per person per tour. For 2011, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB11 (US\$2) to RMB41 (US\$7) per ticket and from RMB85 (US\$14) to RMB199 (US\$32) per person per tour.

*Share Pledge Agreements.* Messrs. Fan, Zhu, Yang and Yan and Ms. Zhang have pledged their respective equity interests in our affiliated Chinese entities as a guarantee for the payment by our affiliated Chinese entities of technical and consulting services fees to us under the exclusive technical consulting and services agreements described above. In the event any of our affiliated Chinese entity breaches any of its obligations under the service agreement with us, we are entitled to sell the equity interests held by Messrs. Fan, Zhu, Yang, Yan and/or, Ms. Zhang as the case may be, and retain the proceeds from such sale or require any of them to transfer his or her equity interest without consideration to the Chinese citizen(s) designated by us. We will endeavor to enforce our rights in full under the share pledge agreement in the event that any affiliated Chinese entity breaches its obligations under the exclusive technical consulting and services agreement with us.

*Business Loan Arrangements.* Due to government restrictions on foreign ownership of air-ticketing, travel agencies, and value-added telecommunications businesses in China, we have made business loan arrangements with Messrs. Fan, Zhu Yang and Ms. Zhang with the sole and exclusive purpose of providing funds necessary for the capitalization or acquisition of our affiliated Chinese entities. These loan amounts were injected into the affiliated Chinese entities as capitals and cannot be accessed for any personal uses. In the event that the PRC government lifts its substantial restrictions on foreign ownership of the air-ticketing, travel agency, or value-added telecommunications business in China, as applicable, we will exercise our exclusive option to purchase all of the outstanding equity interests of our affiliated Chinese entities, as described in the following paragraph, and the business loan arrangements will be cancelled in connection with such purchase. However, it is uncertain when, if at all, the PRC government will lift any or all of these restrictions.

The following table sets forth, as of December 31, 2011, the amount of each business loan arrangement, the date the loan arrangement was entered into, the principal, interest, maturity date and outstanding balance of the business loan, the borrower and the affiliated Chinese entity.

Date of Loan Agreement	Borrower	Affiliated Chinese Entity	Principal		Interest	Maturity Date	Outstanding Balance	
			(in thousands of RMB)	(in thousands of US\$)			(in thousands of RMB)	(in thousands of US\$)
May 16, 2011	Maohua Sun*	Beijing Ctrip	1,600.0	254.2	None	May 15, 2021	1,600.0	254.2
September 10, 2003	Min Fan	Ctrip Commerce	980.0	155.7	None	September 10, 2013	980.0	155.7
May 16, 2011	Maohua Sun*	Ctrip Commerce	1,020.0	162.1	None	May 15, 2021	1,020.0	162.1
January 15, 2004	Min Fan	Ctrip Commerce	4,100.0	651.4	None	January 15, 2014	4,100.0	651.4
October 11, 2006	Min Fan	Ctrip Commerce	3,900.0	619.6	None	January 15, 2014	3,900.0	619.6
September 16, 2011	Min Fan	Ctrip Commerce	17,960.0	2,853.6	None	September 16, 2021	17,960.0	2,853.6
September 16, 2011	Maohua Sun	Ctrip Commerce	2,040.0	324.1	None	September 16, 2021	2,040.0	324.1
September 10, 2003	Min Fan	Guangzhou Ctrip	450.0	71.5	None	September 10, 2013	450.0	71.5
March 1, 2004	Min Fan	Guangzhou Ctrip	1,350.0	214.5	None	March 1, 2014	1,350.0	214.5
August 1, 2004	Jianmin Zhu	Guangzhou Ctrip	50.0	7.9	None	August 1, 2014	50.0	7.9
August 1, 2004	Jianmin Zhu	Guangzhou Ctrip	150.0	23.8	None	August 1, 2014	150.0	23.8
May 11, 2006	Jianmin Zhu	Guangzhou Ctrip	100.0	15.9	None	August 1, 2014	100.0	15.9
May 11, 2006	Min Fan	Guangzhou Ctrip	900.0	143.0	None	March 1, 2014	900.0	143.0
October 30, 2003	Min Fan	Shanghai Ctrip	4,290.0	681.6	None	October 30, 2013	4,290.0	681.6
May 26, 2006	Min Fan	Shanghai Ctrip	1,190.0	189.1	None	October 30, 2013	1,190.0	189.1
February 6, 2004	Min Fan	Shenzhen Ctrip	1,350.0	214.5	None	February 6, 2014	1,350.0	214.5
August 1, 2004	Jianmin Zhu	Shenzhen Ctrip	150.0	23.8	None	August 1, 2014	150.0	23.8
April 24, 2006	Min Fan	Shenzhen Ctrip	900.0	143.0	None	February 6, 2014	900.0	143.0
April 24, 2006	Jianmin Zhu	Shenzhen Ctrip	100.0	15.9	None	August 1, 2014	100.0	15.9
May 16, 2011	Maohua Sun*	Huacheng	250.0	39.7	None	May 15, 2021	250.0	39.7
March 7, 2007	Fengying Zhang	Nantong Tongcheng	10,000.0	1,588.8	None	March 6, 2015	10,000.0	1,588.8

\* In 2008, Mr. Tao Yang acquired from Mr. Qi Ji all of his equity interests in Ctrip Commerce, Beijing Ctrip and Shanghai Huacheng. At the same time, Mr. Tao Yang also assumed all of the outstanding business loans of Mr. Qi Ji. In 2011, Mr. Tao Yang transferred all of his equity interests in Ctrip Commerce, Beijing Ctrip and Shanghai Huacheng to Mrs. Maohua Sun.

*Exclusive Option Agreements.* As consideration for our entering into the business loan arrangements described above, each of Messrs. Fan, Zhu, Yang, Yan and Ms. Zhang has granted us an exclusive, irrevocable option to purchase all of their equity interests in our affiliated Chinese entities at any time we desire, subject to compliance with the applicable PRC laws and regulations. If we exercise these options, we will cancel the outstanding business loans we extended to Messrs. Fan, Yang, Zhu and Ms. Zhang to fund our affiliated Chinese entities.

*Operating Agreements.* We guarantee the performance by our affiliated Chinese entities of contracts, agreements or transactions with third parties relating to the business operations of our affiliated Chinese entities. As consideration for our entering into these performance guarantees, our affiliated Chinese entities agree to pledge their accounts receivable and all of their assets for our benefit.

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

### **Share Incentive Grants**

Please refer to “Item 6.B. Compensation —Employee’s Share Incentive Plans.”

### **Commissions from Home Inns and its affiliates**

As of December 31, 2011, we held approximately 16% stake in Home Inns, one of our hotel suppliers, and have two directors in common with it. Home Inns and its affiliates have entered into agreements with us to provide hotel rooms for our customers. Total commissions from Home Inns and its affiliates amounted to RMB20.9 million, RMB18.2 million and RMB17.7 million (US\$2.8 million) for the years ended December 31, 2009, 2010 and 2011, respectively. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers.

### **Registration Rights from Home Inns**

In May 2009, we entered into a definitive purchase agreement with Home Inns to acquire additional equity interest in Home Inns through a private placement of its ordinary shares for US\$50 million in cash. In connection with the private placement, we have obtained certain demand, piggyback and Form F-3 registration rights from Home Inns. Home Inns has agreed to pay all expenses incurred in connection with all eligible registrations. Such registration rights will terminate if we cease to hold 15% of the ordinary shares we purchased or if our registrable securities may be sold pursuant to Rule 144 under the Securities Act.

### **Commissions from Hanting and its affiliates**

One of our hotel suppliers, Hanting, has a director in common with our company and a director who is a family member of one of our officers. Hanting has entered into agreements with us to provide hotel rooms for our customers. Total commissions Hanting paid us amounted to RMB9.9 million, RMB9.5 million and RMB8.0 million (US\$1.3 million) for the years ended December 31, 2009, 2010 and 2011, respectively. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers. In March 2010, we invested a total of US\$67.5 million in approximately 9% stake in China Lodging Group Limited, or Hanting, through private placement transactions and purchases in Hanting’s initial public offering. The purchase prices for shares acquired in both private placement transactions and the initial public offering equal to Hanting’s initial public offering price.

### **Advertisement purchase from Focus Media Holding Limited (“Focus Media”)**

One of our advertisement service suppliers, Focus Media, has a director in common with our company. We entered into agreements with affiliates of Focus Media to purchase advertisement service. Total advertisement purchase from Focus Media for the year ended December 31, 2009 and 2010 is RMB425 thousand and RMB300 thousand, respectively. We did not purchase any advertisement from Focus Media in 2011. The purchase was made in our ordinary course of business on terms substantially similar to those for our unrelated advertisement suppliers.

### **Printing expense to Joyu Tourism Operating Group**

We entered into printing agreements with TripTX Travel Media Group, one of the subsidiaries of Joyu Tourism Operating Group. Joyu Tourism Operating Group has a director in common with our company. Total editing expenses to Joyu Tourism Operating Group amounted to, RMB2.2 million, RMB2.2 million and RMB2.2 million (US\$0.3 million) for the years ended December 31, 2009, 2010 and 2011, respectively.

### **Purchase of tour package service from Ananda Travel Service (Aust.) Pty Limited (“Ananda”)**

We purchased tour package service from Ananda, an association investment of HKWOT (BVI) Limited. Tour package purchase from Ananda for the year ended December 31, 2010 and 2011 amounted to RMB21 million and RMB29 million (US\$4.7 million), respectively.

### *C. Interests of Experts and Counsel*

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### *A. Consolidated Statements and Other Financial Information*

We have appended consolidated financial statements filed as part of this annual report.

### **Legal Proceedings**

We are not currently a party to any pending material litigation or other legal proceeding and are not aware of any pending litigation or other legal proceeding that may have a material adverse impact on our business or operations. However, we are and may continue to be subject to various legal proceedings and claims that are incidental to our ordinary course of business.

### **Dividend Policy**

Our board and shareholders approved a distribution of 30% of our audited net income for 2005 to our shareholders as dividends. On July 14, 2006, we distributed dividends in the aggregate amount of US\$8 million to our shareholders of record as of June 30, 2006, at a dividend rate of RMB2.04, or US\$0.255, per ordinary share.

In October 2006, our shareholders approved a distribution of 30% of our net income for 2006 to our shareholders as dividends. On July 6, 2007, we distributed dividends in the aggregate amount of RMB72 million (US\$9.5 million) to our shareholders of record as of June 29, 2007, at a dividend rate of RMB2.11, or US\$0.277, per ordinary share.

On June 15, 2007, our shareholders approved the distribution of 30% of our net income for 2007 to our shareholders as dividends. On July 7, 2008, we distributed dividends in the aggregate amount of RMB112 million (US\$16 million) to our shareholders of record as of June 12, 2008, at a dividend rate of RMB3.38, or US\$0.488, per ordinary share.

On November 23, 2007, our board of directors declared a dividend of one ordinary share purchase right for each of our ordinary shares outstanding as of the close of business on December 3, 2007. See “Item 10. Additional Information—Memorandum and Articles of Association—Shareholder Rights Plan.”

We have received dividends from our subsidiaries, which have received consulting or other fees from our affiliated Chinese entities. In accordance with current Chinese laws and regulations, our subsidiaries and affiliated entities in China are required to allocate to their general reserves at least 10% of their respective after-tax profits for the year determined in accordance with Chinese accounting standards and regulations. Each of our subsidiaries and affiliated entities in China may stop allocations to its general reserve if such reserve has reached 50% of its registered capital. In addition, our subsidiaries in China, including Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Ctrip Information Technology, are required to allocate portions of their respective after-tax profits to their enterprise expansion funds and staff welfare and bonus funds at the discretion of their boards of directors. Allocations to these statutory reserves and funds can only be used for specific purposes and are not transferable to us in the form of loans, advances, or cash dividends.

Our board of directors has complete discretion as to whether we will distribute dividends in the future, subject to the approval of our shareholders. Even if our board of directors determines to distribute dividends, the form, frequency and amount of our dividends will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, potential tax implications and other factors as the board of directors may deem relevant. Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, less the fees and expenses payable under the deposit agreement. Any dividend we declare will be distributed by the depository bank to the holders of our ADSs. Cash dividends on our ordinary shares, including those represented by the ADSs, 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.

Our ADSs have been listed on the Nasdaq Global Market since December 2003 and the Nasdaq Global Select Market since July 2006. Our ADSs are traded under the symbol “CTRP.”

The following table provides the high and low trading prices for our ADSs on the Nasdaq Global Market and the Nasdaq Global Select Market for the periods presented and all prices have been retroactively adjusted to reflect the current ADS to ordinary share ratio of one ADS to 0.25 of an ordinary share effective on January 21, 2010 for all periods presented. The closing price of our ADSs on March 28, 2012 was US\$21.99 per ADS.

	Trading Price (US\$)	
	High	Low
2007	31.62	13.77
2008	35.45	8.21
2009	39.30	9.20
2010	53.16	29.90
First Quarter	41.28	29.90
Second Quarter	47.01	32.41
Third Quarter	49.23	31.35
Fourth Quarter	53.16	38.54
2011	50.57	22.33
First Quarter	47.03	36.64
Second Quarter	50.57	38.81
Third Quarter	47.54	30.29
Fourth Quarter	38.33	22.33
<b>Monthly Highs and Lows</b>		
September 2011	41.71	30.29
October 2011	38.33	29.59
November 2011	36.83	23.56
December 2011	27.75	22.33
January 2012	28.09	22.02
February 2012	28.12	22.14
March 2012 (through March 28, 2012)	28.05	21.94

### B. Plan of Distribution

Not applicable.

### C. Markets

Our ADSs have been listed on the Nasdaq Global Market since December 2003 and on the Nasdaq Global Select Market since July 2006 under the symbol “CTRP.”

### 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**

*General.* 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 nonresidents of the Cayman Islands may freely hold and vote their shares.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

*Voting Rights.* Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. 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 our board of directors or any other shareholder present in person or by proxy and holding at least ten percent of the shares giving a right to vote at the meeting.

A quorum required for a meeting of shareholders consists of at least two shareholders holding at least one-third of the outstanding voting shares in our company, present or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders' meetings are held annually and may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in the aggregate ten percent or more of our voting share capital. Advance notice of at least seven days is required for the convening of our annual general shareholders' meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution is required for matters such as a change of name or amending the memorandum and articles of association. Holders of the ordinary shares may by ordinary resolution, among other things, make changes in the amount of our authorized share capital and consolidate and divide all or any of our share capital into shares of larger amount than our existing share capital and cancel any shares.

*Liquidation.* On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of our 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.

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

*Redemption of Shares.* Subject to the provisions of the Companies Law, we may issue shares on the terms that they are, or at our option or at the option of the holders are, subject to redemption on such terms and in such manner as may be determined by special resolution.

*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 either with the consent in writing of the holders of three-fourths 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.

### ***Shareholder Rights Plan***

On November 23, 2007, our board of directors declared a dividend of one ordinary share purchase right, or a Right, for each of our ordinary shares outstanding at the close of business on December 3, 2007. As long as the Rights are attached to the ordinary shares, we will issue one Right (subject to adjustment) with each new ordinary share so that all such ordinary shares will have attached Rights. When exercisable, each Right will entitle the registered holder to purchase from us one ordinary share at a price of \$700 per ordinary share, subject to adjustment.

The Rights will expire on November 23, 2017, subject to our right to extend such date and are exercisable upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the voting securities of our company, or (ii) 10 business days following the commencement or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 20% or more of the voting securities of our company. Upon exercise, all Rights holders except for the potential acquirer will be entitled to acquire our ordinary shares at a discount. We are entitled to redeem the Rights in whole at any time on or before the tenth day following acquisition by a person or group of 20% or more of our voting securities (which for these purposes include ADSs representing ordinary shares).

The Rights were not distributed in response to any specific effort to acquire control of our company.

### ***Registered Office and Objects***

Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as our directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law (2011 Revision), as amended from time to time, or any other law of the Cayman Islands.

### **Board of Directors**

Our board of directors currently consists of seven directors. Our board of directors may exercise all the powers of the company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whether outright or as security for any debt, liability or obligation of our company or of any third party. A director may vote with respect to any contract, proposed contract or arrangement in which he or she is materially interested as long as he or she has made a declaration of the nature of such interest. A director is not required to hold any shares in our company by way of qualification, and there is no requirement for a director to retire at any age limit.

We have a compensation committee that assists the board in reviewing and approving the compensation structure and form of compensation of our directors and executive officers. Members of the compensation committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated.

For details of our board committees, see “Item 6C. Board Practices—Board of Directors.”

### ***C. Material Contracts***

Please refer to “Item 4. Information on the Company — A. History and Development of the Company” and “Item 7 — Major Shareholders and Related Party Transactions — B. Related Party Transactions” for a summary of the following material contracts we have entered into during the two years immediately preceding the date of this annual report: (i) a sale and purchase agreement dated February 3, 2010 among Wing On Travel (Holdings) Limited, C-Travel International Limited and Ctrip.com International, Ltd.; (ii) a subscription agreement dated March 12, 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited; (iii) a share purchase agreement dated March 12, 2010 between Ctrip.com International, Ltd. and certain selling shareholders of China Lodging Group, Limited; (iv) an investor and registration rights agreement dated March 12, 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited. Other than these material contracts, we have not entered into any material contracts other than in the ordinary course of business for the two years immediately preceding the date of this annual report; (v) a land use right contract dated September 30 between the Bureau of Land and Resources Chengdu and Chengdu Ctrip Information Technology Co., Ltd (vi) an sale and purchase agreement dated December 9, 2011 among Shang Hongqiao Linkong Science and Technology Development Company, Ctrip Computer Technology (Shanghai) Co., Ltd and Shanghai Huanji Digital Technology Limited; and (vii) a construction contract dated February 25, 2012 between Hunan No. 1 Engineering Company and Chengdu Ctrip Travel Service Co Ltd. Other than these contracts set forth above, we have not entered into any material contracts other than in the ordinary course of business for the two years immediately preceding the date of this annual report.

### ***D. Exchange Controls***

See “Item 4. Information on the Company—B. Business Overview—PRC Government Regulations—Regulations of Foreign Currency Exchange and Dividend Distribution.”

## E. *Taxation*

The following summary of the material Cayman Islands and U.S. 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 not addressed herein.

### **Cayman Islands Taxation**

According to Maples and Calder, 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 likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

### **PRC Taxation**

If the PRC tax authorities determine that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes, a withholding tax of 10% for our foreign ADS holders may be imposed on dividends they receive from us and on gains realized on their sale or other disposition of ADSs. See “Risk factors—Risks Related to Our Corporate Structure—Our subsidiaries and affiliated Chinese entities in China are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.”

### **Certain U.S. Federal Income Tax Consequences**

The following description generally summarizes certain U.S. federal income tax consequences generally applicable to U.S. Holders (as defined below) under present law of ownership in and disposition of the ADSs or ordinary shares. This description is based on the U.S. Treasury regulations issued under the Internal Revenue Code of 1986, as amended, as well as judicial and administrative interpretations available on the date hereof, all of which are subject to change, possibly with retroactive effect. You should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service, or the IRS, with respect to any U.S. federal income tax consequences described below, and we cannot assure you that the IRS or a court will not take contrary positions.

The following discussion does not address all U.S. federal income tax consequences applicable to any particular investor or to certain investors who may be subject to special terms (regardless of whether or not such persons constitute U.S. Holders as defined below) such as banks, insurance companies, broker dealers, dealers or traders in securities or commodities, tax-exempt entities, persons liable for alternative minimum tax, U.S. expatriates, regulated investment companies or real estate investment trusts, partnerships (including certain entities treated as partnerships for U.S. federal income tax purposes) or persons holding ADSs or ordinary shares through partnerships (including entities treated as partnerships for U.S. federal income tax purposes), S-corporations, estates and trusts, persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction, investors whose “functional currency” is not the U.S. dollars, holders that actually or constructively own 10% or more (by voting power or value) of all classes of our outstanding capital stock, or persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation. Please note this description does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests as a holder.

**PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSs OR ORDINARY SHARES.**

As used in this section, “U.S. Holder” means a beneficial owner of ADSs or ordinary shares that for U.S. federal income tax purposes is,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity subject to tax as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial trust decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership or other entity taxable as a partnership that holds ADSs or ordinary shares, your tax treatment will generally depend on your status and the activities of the partnership. Partnerships holding the ADSs or ordinary shares, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of an investment in the ADSs or 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 the terms. If you hold ADSs, you should be treated as the holder of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

***Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares***

Subject to the description below under “—Passive Foreign Investment Company,” the amount of any distribution to you with respect to the ADSs or ordinary shares, before deduction for any taxes imposed by the PRC, will be included in your gross income as dividend income on the date of receipt by the depository, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits, such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis, as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. Any dividends we pay will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders (including individual U.S. Holders), for taxable years beginning before January 1, 2013, dividends may be taxed at the lower capital gains rate applicable to “qualified dividend income,” provided that (1) the ADSs or ordinary shares are readily tradable on an established securities market in the United States or we are eligible for the benefits of an income tax treaty with the United States that the U.S. Treasury has determined satisfactory for purposes of the rules applicable to qualified dividends and that includes an exchange of information program, (2) we are neither a passive foreign investment company, or PFIC, nor treated as such with respect to you (as discussed below) for our taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. U.S. Treasury guidance indicates that common or ordinary shares, or ADSs representing such shares, are considered for the purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the Nasdaq Global Select Market, as are our ADSs (but not our ordinary shares). If we are treated as a “resident enterprise” for PRC tax purposes under its Enterprise Income Tax Law, or EIT Law, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for dividends paid with respect to our ADSs or ordinary shares and any possible change in law relating to the availability of such lower rate for dividends paid by us.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and dividend by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the ADSs or ordinary shares will be “passive category income” or, in the case of certain U.S. Holders, “general category income.”

If PRC withholding taxes apply to dividends paid to you with respect to our ADSs or ordinary shares, subject to certain conditions and limitations, such PRC withholding taxes may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. The rules relating to the determination of the foreign tax credit are complex and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances.

### ***Taxation of a Disposition of ADSs or Ordinary Shares***

Subject to description below under “—Passive Foreign Investment Company,” you will recognize capital gain or loss on any sale, exchange or other taxable disposition of an ADS or ordinary share equal to the difference between the amount realized for the ADS or ordinary share and your tax basis in the ADS or ordinary share. Your tax basis in an ADS or ordinary share will generally be equal to the cost of such ADS or ordinary share. The gain or loss will generally be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADS or ordinary share for more than one year, you generally will be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits. However, if we are treated as a “resident enterprise” for PRC tax purposes, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. You should consult your tax advisors regarding the proper treatment of gain or loss recognized on a sale, exchange or other taxable disposition of the ADSs or ordinary shares in your particular circumstances.

### ***Passive Foreign Investment Company***

Based on the market price of our ADSs, the value of our assets, and the composition of our assets and income, we do not believe that we were a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2011. A non-U.S. corporation will be a PFIC for any taxable year if either:

- at least 75% of its gross income is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. In applying this rule, however, it is not clear whether the contractual arrangements between us and our affiliated Chinese entities will be treated as ownership of stock.

We must make a separate determination after the close of each year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2012 or any future taxable year. Because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs and ordinary shares, fluctuations in the market price of our ADSs or ordinary shares may cause us to become a PFIC. If we are a PFIC for any year during which you hold ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you hold ADSs or ordinary shares, unless we cease to be a PFIC and you make a deemed sale election with respect to the ADSs or ordinary shares, as applicable. If such election is made, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the consequences described below. After the deemed sale election, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a “mark-to-market” election as discussed below. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares;

- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed in the preceding paragraph. If you make a valid mark-to-market election for our ADSs or ordinary shares, you will include in income for each year that we are treated as a PFIC with respect to you an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares you hold as of the close of the year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as any gain on the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. 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 (“regularly traded”) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ADSs are listed on the Nasdaq Global Select Market, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs continue to be listed on the Nasdaq Global Select Market and are regularly traded, and you are a holder of ADSs, we expect that the mark-to-market election would be available to you were we to be or become a PFIC. You should consult your tax advisors as to the availability and desirability of a mark-to-market election.

Alternatively, if a non-U.S. corporation is a PFIC, a U.S. holder of shares in that corporation may avoid taxation under the rules described above by making a “qualified electing fund” election to include in income its share of the corporation’s income on a current basis. However, you can make a qualified electing fund election with respect to your ADSs or ordinary shares only if we agree to furnish you annually with certain tax information, and we currently do not intend to prepare or provide such information. Therefore, U.S. Holders should assume that they will not receive such information from us and would not be able to make a qualified electing fund election.

You are urged to consult your tax advisor regarding the application of the PFIC rules to your investment in ADSs or ordinary shares.

### ***Information Reporting and Backup Withholding***

Dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or redemption of ADSs or ordinary shares may be subject to information reporting to the IRS and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Pursuant to the Hiring Incentives to Restore Employment Act enacted on March 18, 2010, in tax years beginning after the date of enactment, an individual U.S. Holder 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 U.S. 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.

Backup withholding is not an additional tax. Amounts withheld as backup withholding can be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information in a timely manner.

### ***F. Dividends and Paying Agents***

Not applicable.

### ***G. Statement by Experts***

Not applicable.

#### H. Documents on Display

We have previously filed with the SEC our registration statement on Form F-1, as amended and prospectus under the Securities Act, with respect to our ordinary shares. We have also previously filed with the SEC our registration statement on Form F-2, as amended, and prospectus under the Securities Act, with respect to the sale of 1,914,000 ADSs by certain selling shareholders. We have also previously filed with the SEC our registration statement on Form F-3 and prospectus under the Securities Act, with respect to the sale of 13,290,000 ADSs by a selling shareholder. We have also previously filed with the SEC our registration statement on Form F-3 with respect to the sale of ADSs by our company and any selling shareholders on a continuous basis and a prospectus under the Securities Act, and have issued and sold 5,700,000 ADSs of our company under this Form F-3.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the SEC's public reference room located at Room 1580, 100F Street, NE, 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](http://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.

Our consolidated financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

#### I. Subsidiary Information

For a list of our subsidiaries, see "Item 4.C. Organizational Structure."

### ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

*Interest Rate Risk.* Our exposure to interest rate risk for changes in interest rates relates primarily to the interest income generated by excess cash deposited in banks. We have not used any derivative financial instruments to hedge interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. Based on our cash balance as of December 31, 2011, a one basis point decrease in interest rates would result in approximately a RMB1,060,000 decrease in our interest income on an annual basis. Our future interest income may fluctuate in line with changes in interest rates. However, the risk associated with fluctuating interest rates is principally confined to our interest-bearing cash deposits, and, therefore, our exposure to interest rate risk is limited.

*Foreign Exchange Risk.* We are exposed to foreign exchange risk arising from various currency exposures. Some of our expenses are denominated in foreign currencies while the majority of our revenues are denominated in RMB. As we hold assets dominated in U.S. dollars, including our bank deposits, any changes against our functional currencies could potentially result in a charge to our income statement and a reduction in the value of our U.S. dollar-denominated assets. From 2009, Ctrip.com International, Ltd., our listed company incorporated in the Cayman Islands, changed its functional currency from RMB to U.S. dollars due to changes in its economic facts and circumstances, including growth in our existing operations outside of mainland China and an active plan to explore overseas markets. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk. For the year ended December 31, 2011, foreign exchange gains accounted for approximately 3% of our net income. As of December 31, 2011, a 1% strengthening/weakening of RMB against U.S. dollar would have increased/decreased our net income by 0.5%. See "Risk Factors—Risks Related to Doing Business in China— Future movements in exchange rates between the U.S. dollar and RMB may adversely affect the value of our ADSs."

## 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 Depositary Shares

#### Fees paid by our ADS holders

The Bank of New York Mellon, the depository of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deducting from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

#### Persons depositing or withdrawing shares must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

\$0.02 (or less) per ADSs per calendar year

Registration or transfer fees

Expenses of the depository

Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depository or its agents for servicing the deposited securities

#### For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Any cash distribution to ADS registered holders
- Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS registered holders
- Depository services
- Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary
- As necessary

#### Fees and Payments from the Depository to Us

In February 2012, we received from the depository a reimbursement of US\$ 1.3 million, net of withholding tax, for our continuing annual stock exchange listing fees and our expenses incurred in connection with investor relationship programs for 2011. In addition, the depository has agreed to reimburse us annually for our expenses incurred in connection with investor relationship programs in the future. The amount of such reimbursements is subject to certain limits.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

On July 31, 2007, we effected a change of the ratio of our ADSs to ordinary shares from one (1) ADS representing one (1) ordinary share to one (1) ADS representing one-half (0.5) of an ordinary share.

On November 23, 2007, our board of directors declared a dividend of one ordinary share purchase right for each of our ordinary shares outstanding at the close of business on December 3, 2007. See “Item 10. Memorandum and Articles of Association.”

On January 21, 2010, we effected a change of the ratio of our ADSs to ordinary shares from one (1) ADS representing one-half (0.5) of an ordinary share to one (1) ADS representing one-fourth (0.25) of an ordinary share.

### ITEM 15. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, including our chief executive officer, Min Fan, and our chief financial officer, Jane Jie Sun, performed an evaluation of the effectiveness of our disclosure controls and procedures, as that term is defined in Rules 13a-15(e) of the Exchange Act, as of the end of the period covered by this annual report. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

#### Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes 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 the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated 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 risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our company's internal control over financial reporting as of December 31, 2011 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company, our independent registered public accounting firm, audited the effectiveness of our company's internal control over financial reporting as of December 31, 2011, as stated in its report, which appears on page F-2 of this Form 20-F.

#### Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d), under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the period covered by this report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, it has been determined that there has been no such change during the period covered by this annual report.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

See “Item 6.C. Board Practices.”

**ITEM 16B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, financial controller, vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our annual report on Form 20-F for our fiscal year 2003, and posted the code on our investor relations website at ir.ctrip.com. On March 3, 2009, our board of directors approved amendments to our code of ethics. We filed our amended code of business conduct and ethics as Exhibit 11.1 to our annual report on Form 20-F for the year ended December 31, 2008 that was originally filed with the SEC on May 26, 2009. You can also find the amended code of business conduct and ethics on our investor relations website at ir.ctrip.com.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, our principal external auditors, for the periods indicated. We did not pay any tax related or other fees to our auditors during the periods indicated below.

	<u>For the Year Ended December 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2011</u>
	RMB	RMB	US\$
Audit fees(1)	7,334,198	7,466,306	1,186,277
Other services	—	675,788	107,372

- (1) “Audit fees” means the aggregate fees for professional services rendered by our principal external auditors for the interim review of quarterly financial statements and the audit of our annual financial statements, the audit of our annual financial statements and statutory audits required internationally. They also include fees billed for those services that are normally provided by the independent accountants in connection with statutory and regulatory filings.

Our audit committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services and tax services, as well as, to a very limited extent, specifically designated non-audit services which, in the opinion of the audit committee, will not impair the independence of the registered public accounting firm. The independent registered public accounting firm and our management are required to report to the audit committee on the quarterly basis regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

On July 30, 2008 and September 30, 2008, our board of directors and shareholders respectively approved a share repurchase plan (the “2008 Repurchase Plan”), pursuant to which we were authorized to purchase our own ADSs with an aggregate value of US\$15 million by a repurchase of corresponding ordinary shares from the depositary, to be funded out of our capital. On September 30, 2011, our board of directors approved an additional share repurchase plan (the “2011 Repurchase Plan” and, together with the 2008 Repurchase Plan, the “Plans”) pursuant to which we were authorized to purchase our own ADSs with an aggregate value of US\$100 million by a repurchase of corresponding ordinary shares from the depositary, to be funded out of our existing cash balance. Under both Plans, we were authorized to effect a share repurchase on the open market at prevailing market prices and/or in negotiated transactions off the market from time to time as market conditions, in their judgment, warrant, in accordance with all applicable requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended, and on the terms set out in the resolutions of our board of directors approving such share repurchase. As of the date of this annual report on Form 20-F, we purchased approximately 1 million ADSs with a total consideration of approximately US\$25 million from the open market under the Plans.

<u>Period</u>	<u>Total Number of ADS Purchased</u>	<u>Average Price Paid Per ADS<sup>(1)</sup></u>	<u>Total Number of ADSs Purchased as Part of Publicly Announced Plans<sup>(2)</sup></u>	<u>Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plans<sup>(2)</sup></u>
October 2011	149,369	US\$ 34.52	149,369	US\$ 34.52
December 2011	821,960	US\$ 24.33	821,960	US\$ 24.33
Total	971,329	US\$ 25.90	971,329	US\$ 25.90

(1) Each ADS represents 0.25 ordinary shares.

(2) Includes the 2008 Repurchase Plan and the 2011 Repurchase Plan.

**ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Rule 5635(c) of the Nasdaq Rules requires a Nasdaq-listed company to obtain its shareholders’ approval of all equity compensation plans, including stock plans, and any material amendments to such plans. Rule 5615 of the Nasdaq Rules permits a foreign private issuer like our company to follow home country practice in certain corporate governance matters. Pursuant to board approval obtained on November 17, 2008, we amended our 2007 Plan. We believe that some of the amendments are material changes to the then existing plan. Our Cayman Islands counsel has provided a letter to Nasdaq dated November 17, 2008 certifying that under Cayman Islands law, we are not required to obtain shareholders’ approval for amendments to our existing equity incentive plan. Nasdaq has acknowledged the receipt of such letter and our home country practice with respect to approval for amendments to our equity incentive plan.

Other than the home country practices described above, we are not aware of any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the Nasdaq Rules.

**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 for Ctrip.com International, Ltd. and its subsidiaries are included at the end of this annual report.

## ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Document</u>
1.1	Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 3.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003), as amended (amendment incorporated by reference to Exhibit 99.2 to our Report of Foreign Private Issuer on Form 6-K filed with the Securities and Exchange Commission on October 17, 2006)
2.1	Specimen American Depositary Receipt of Ctrip.com International, Ltd. (incorporated by reference to the prospectus dated January 25, 2010 as part of the Registration Statement on Form F-6 (file no. 333-145167) filed with the Securities and Exchange Commission on August 6, 2007)
2.2	Specimen Stock Certificate of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
2.3	Rights Agreement dated as of November 23, 2007 between Ctrip.com International, Ltd. and The Bank of New York, as Rights Agent (incorporated by reference to Exhibit 4.1 from our Report of Foreign Private Issuer on Form 6-K filed with the Securities and Exchange Commission on November 23, 2007)
2.4	Deposit Agreement dated as of December 8, 2003, as amended and restated as of August 11, 2006, and as further amended and restated as of December 3, 2007, among Ctrip.com International, Ltd., The Bank of New York as Depositary, and all Owners and Beneficial from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 2.4 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on April 29, 2008)
4.1	Form of Ctrip.com International, Ltd. Stock Option Plans (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (file no. 333-110455) and Exhibit 10.23 from our Registration Statement on Form F-2 (file no. 333-121080) filed with the Securities and Exchange Commission on November 13, 2003 and December 8, 2004, respectively)
4.2	Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.3	Translation of Form of Labor Contract for Employees of the Registrant's subsidiaries in China (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.4	Employment Agreement between the Registrant and James Jianzhang Liang (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.5	Employment and Confidentiality Agreement between the Registrant and Jane Jie Sun (incorporated by reference to Exhibit 4.5 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 26, 2006)
4.6	Employment Agreement, between the Registrant and Min Fan (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.7	Translation of Form of Consulting and Services Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.8	Translation of Form of Business Loan Agreement between Ctrip.com (Hong Kong) Limited and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.9	Translation of Form of Exclusive Option Agreement among Ctrip.com (Hong Kong) Limited, an Affiliated Chinese Entity of the Registrant and the Shareholder of the Entity, as currently in effect (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)

- 4.10 Translation of Form of Share Pledge Agreement among Ctrip Computer Technology (Shanghai) Co., Ltd. and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.10 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.11 Translation of Form of Operating Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.13 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.12 Translation of Lease Agreement dated May 1, 2003 between Ctrip Travel Information Technology (Shanghai) Co., Ltd. and Yu Zhong (Shanghai) Consulting Co., Ltd. (incorporated by reference to Exhibit 10.14 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.13 Translation of Form of Power of Attorney by a shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.15 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.14 Confidentiality and Non-Competition Agreement, effective as of September 10, 2003, between the Registrant and Qi Ji (incorporated by reference to Exhibit 10.16 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.15 Form of Director Agreement between the Registrant and its director (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 11, 2004)
- 4.16 Translation of Land Early Development Cost Compensation Agreement dated February 3, 2005 between Shanghai Hong Qiao Lin Kong Economic Development Park Co., Ltd. and Ctrip Travel Information Technology (Shanghai) Co., Ltd. (incorporated by reference to Exhibit 4.18 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 22, 2005)
- 4.17 Translation of Construction Agreement dated February 13, 2006 between Shanghai No. 1 Construction Co., Ltd. and Ctrip Travel Network Technology (Shanghai) Co., Ltd. (incorporated by reference to Exhibit 4.5 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 26, 2006)
- 4.18 Translation of State Land Use Right Assignment Contract dated February 25, 2008 between Nantong Land Resource Bureau and Ctrip Information Technology (Nantong) Co., Ltd. (incorporated by reference to Exhibit 4.21 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on April 29, 2008)
- 4.19 Ctrip.com International, Ltd. 2007 Share Incentive Plan, as amended and restated as of November 17, 2008 (incorporated by reference to Exhibit 4.21 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on May 26, 2009)
- 4.20 Summary of key terms of the form revolving credit facility agreement between each of Ctrip Computer Technology (Shanghai) Co., Ltd., Ctrip Travel Information Technology (Shanghai) Co., Ltd. and Ctrip Travel Network Technology (Shanghai) Co., Ltd. and our consolidated affiliated Chinese entity, Shanghai Huacheng Southwest Travel Agency Co., Ltd., and China Merchants Bank, Shanghai Branch (incorporated by reference to Exhibit 4.22 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on May 26, 2009)
- 4.21 Purchase Agreement dated May 7, 2009 between Ctrip.com International, Ltd. and Home Inns & Hotels Management Inc. (incorporated by reference to Exhibit 99.(B) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-82520) filed with the Securities and Exchange Commission on May 21, 2009)
- 4.22 Registration Rights Agreement dated May 7, 2009 between Ctrip.com International, Ltd. and Home Inns & Hotels Management Inc. (incorporated by reference to Exhibit 99.(C) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-82520) filed with the Securities and Exchange Commission on May 21, 2009)
- 4.23 Sale and Purchase Agreement dated February 3, 2010 among Wing On Travel (Holdings) Limited, C-Travel International Limited and Ctrip.com International, Ltd. (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-3 (file no. 333-165150) filed with the Securities and Exchange Commission on March 2, 2010)
- 4.24 Subscription Agreement dated March 12, 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited (incorporated by reference to Exhibit 99.(A) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)
- 4.25 Share Purchase Agreement dated March 12, 2010 between Ctrip.com International, Ltd. and the selling shareholders named therein (incorporated by reference to Exhibit 99.(B) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)

- 4.26 Investor and Registration Rights Agreement dated March 12 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited (incorporated by reference to Exhibit 99.(C) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)
- 4.27 Translation of Construction Contract as of February 2012 between Chengdu Ctrip Information Technology Co., Ltd. and Hunan No. 1 Engineering Co., Ltd.
- 4.28 Translation of Construction Contract dated September 8, 2008 between Ctrip Information Technology (Nantong) Co., Ltd. and Shanghai No. 1 Construction Co., Ltd.
- 4.29 Translation of Framework Agreement for Purchase and Sale of 3-9F Building A of Hongqiao International Technology Square dated December 9, 2011 among Shanghai Hongqiao Linkong Technology Development Co., Ltd., Ctrip Computer Technology (Shanghai) Co., Ltd. and Shanghai Huanji Digital Technology Co., Ltd.
- 4.30 Translation of State-Owned Construction Land Use Right Transfer Contract dated September 30, 2011 between Chengdu Ctrip Information Technology Co., Ltd. and Chengdu Land Resources Bureau
- 8.1 List of Significant Consolidated Entities of the Registrant
- 11.1 Code of Business Conduct and Ethics of the Registrant, as amended and restated as of June 14, 2011
- 12.1 Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 13.2 Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 15.1 Consent of Maples and Calder
- 15.2 Consent of Commerce & Finance Law Offices
- 15.3 Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document



**CTrip.COM INTERNATIONAL, LTD.**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2009, 2010 and 2011</u>	F-3
<u>Consolidated Balance Sheets as of December 31, 2010 and 2011</u>	F-4
<u>Consolidated Statements of Shareholders' Equity for the years ended December 31, 2009, 2010 and 2011</u>	F-5
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2010 and 2011</u>	F-6
<u>Notes to the Consolidated Financial Statements</u>	F-7



普华永道

## Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Ctrip.com International, Ltd. (the "Company") and its subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 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, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Report of Management on Internal Control over Financial Reporting appearing in item 15 of the accompanying 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.

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 CPAs Limited Company  
Shanghai, the People's Republic of China

March 30, 2012

**CTRIP.COM INTERNATIONAL, LTD.**

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011**

	<u>2009</u> RMB	<u>2010</u> RMB	<u>2011</u> RMB	<u>2011</u> US\$
<b>Revenues:</b>				
Hotel reservation	940,682,312	1,278,043,673	1,486,898,858	236,244,436
Air-ticketing	868,379,184	1,206,921,479	1,437,118,164	228,335,081
Packaged-tour	175,867,386	380,307,487	534,640,183	84,945,770
Corporate travel	83,136,519	129,658,427	161,610,123	25,677,263
Others	54,496,575	71,781,955	106,036,864	16,847,561
<b>Total revenues</b>	<u>2,122,561,976</u>	<u>3,066,713,021</u>	<u>3,726,304,192</u>	<u>592,050,111</u>
Less: business tax and related surcharges	(134,555,018)	(185,479,524)	(228,219,564)	(36,260,437)
<b>Net revenues</b>	<u>1,988,006,958</u>	<u>2,881,233,497</u>	<u>3,498,084,628</u>	<u>555,789,674</u>
Cost of revenues	(450,602,773)	(625,261,342)	(805,129,784)	(127,922,240)
<b>Gross profit</b>	<u>1,537,404,185</u>	<u>2,255,972,155</u>	<u>2,692,954,844</u>	<u>427,867,434</u>
<b>Operating expenses:</b>				
Product development	(308,451,348)	(453,853,000)	(601,485,367)	(95,566,400)
Sales and marketing	(345,289,299)	(453,292,701)	(624,599,686)	(99,238,896)
General and administrative	(196,297,316)	(294,701,167)	(400,875,621)	(63,692,722)
<b>Total operating expenses</b>	<u>(850,037,963)</u>	<u>(1,201,846,868)</u>	<u>(1,626,960,674)</u>	<u>(258,498,018)</u>
<b>Income from operations</b>	<u>687,366,222</u>	<u>1,054,125,287</u>	<u>1,065,994,170</u>	<u>169,369,416</u>
Interest income	17,392,472	37,585,865	106,002,655	16,842,126
Other income	60,801,280	99,125,516	117,623,725	18,688,528
Income before income tax expense, equity in income of affiliates and noncontrolling interests	765,559,974	1,190,836,668	1,289,620,550	204,900,070
Income tax expense	(131,658,085)	(205,016,961)	(262,186,225)	(41,657,196)
Equity in income of affiliates	32,869,419	66,171,992	57,525,830	9,139,934
<b>Net income</b>	<u>666,771,308</u>	<u>1,051,991,699</u>	<u>1,084,960,155</u>	<u>172,382,808</u>
Less: Net income attributable to noncontrolling interests	(7,797,686)	(3,921,959)	(8,545,258)	(1,357,705)
<b>Net income attributable to Ctrip's shareholders</b>	<u>658,973,622</u>	<u>1,048,069,740</u>	<u>1,076,414,897</u>	<u>171,025,103</u>
<b>Net income</b>	666,771,308	1,051,991,699	1,084,960,155	172,382,808
<b>Other comprehensive income:</b>				
Foreign currency translation	1,652,997	(70,001,987)	(94,851,411)	(15,070,371)
Unrealized securities holding gains / (losses)	17,243,654	346,716,514	(276,586,950)	(43,945,241)
<b>Total comprehensive income</b>	<u>685,667,959</u>	<u>1,328,706,226</u>	<u>713,521,794</u>	<u>113,367,196</u>
Less: Comprehensive income attributable to noncontrolling interests	(9,390,353)	(3,921,959)	(8,545,258)	(1,357,705)
<b>Comprehensive income attributable to Ctrip's shareholders</b>	<u>676,277,606</u>	<u>1,324,784,267</u>	<u>704,976,536</u>	<u>112,009,491</u>
<b>Earnings per ordinary share</b>				
— Basic	19.62	29.62	29.92	4.75
— Diluted	18.69	27.89	28.30	4.50
<b>Earnings per ADS</b>				
— Basic	4.90	7.40	7.48	1.19
— Diluted	4.67	6.97	7.08	1.12
<b>Weighted average ordinary shares outstanding</b>				
— Basic shares	33,592,334	35,385,451	35,977,063	35,977,063
— Diluted shares	35,250,335	37,577,056	38,030,974	38,030,974
Share-based compensation included in Operating expense above is as follows:				
Product development	(33,862,928)	(64,254,080)	(98,955,335)	(15,722,419)
Sales and marketing	(18,864,102)	(33,202,984)	(48,191,019)	(7,656,782)
General and administrative	(77,801,797)	(145,104,394)	(195,645,003)	(31,084,860)

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

**CTRIP.COM INTERNATIONAL, LTD.**

**CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2010 AND 2011**

	<u>2010</u>	<u>2011</u>	<u>2011</u>
	RMB	RMB	US\$
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	2,153,935,111	3,503,428,418	556,638,717
Restricted cash	224,179,126	211,636,294	33,625,621
Short-term investment	1,178,278,063	1,288,471,562	204,717,514
Accounts receivable, net	621,548,849	789,036,329	125,365,247
Due from related parties	3,216,628	4,994,560	793,556
Prepayments and other current assets	352,614,489	561,193,151	89,164,612
Deferred tax assets, current	37,136,184	39,782,201	6,320,755
<b>Total current assets</b>	<u>4,570,908,450</u>	<u>6,398,542,515</u>	<u>1,016,626,022</u>
Long-term deposits	155,856,622	155,360,492	24,684,296
Land use rights	106,333,805	113,460,899	18,027,121
Property, equipment and software	653,678,980	683,903,870	108,661,382
Investments	1,574,230,623	1,305,145,043	207,366,663
Goodwill	758,231,441	798,601,767	126,885,042
Intangible assets	296,964,092	306,420,192	48,685,265
<b>Total assets</b>	<u>8,116,204,013</u>	<u>9,761,434,778</u>	<u>1,550,935,791</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	595,283,281	763,256,074	121,269,177
Due to related parties	11,866,285	9,195,558	1,461,027
Salary and welfare payable	159,258,508	145,524,036	23,121,441
Taxes payable	161,772,241	220,604,123	35,050,465
Advances from customers	595,737,152	1,090,852,066	173,318,938
Accrued liability for customer reward program	121,319,301	161,838,531	25,713,553
Other payables and accruals	235,661,747	176,789,865	28,089,080
<b>Total current liabilities</b>	<u>1,880,898,515</u>	<u>2,568,060,253</u>	<u>408,023,681</u>
Deferred tax liabilities, non-current	45,382,710	48,308,692	7,675,478
<b>Total liabilities</b>	<u>1,926,281,225</u>	<u>2,616,368,945</u>	<u>415,699,159</u>
<b>Commitments and contingencies (Note 16)</b>			
<b>Shareholders' equity</b>			
Share capital (US\$0.01 par value; 100,000,000 shares authorized, 35,885,163 and 35,849,473 share issued and outstanding as of December 31, 2010 and 2011, respectively.)	2,926,132	2,939,527	467,044
Additional paid-in capital	3,073,551,037	3,465,924,424	550,679,932
Statutory reserves	93,384,908	98,049,668	15,578,523
Accumulated other comprehensive income/(loss)	198,972,084	(172,466,277)	(27,402,132)
Retained earnings	2,734,858,610	3,806,608,747	604,809,220
Less: Treasury stock (0 and 242,832 shares at December 31, 2010 and 2011, respectively)	—	(158,761,225)	(25,224,618)
<b>Total Ctrip's shareholders' equity</b>	<u>6,103,692,771</u>	<u>7,042,294,864</u>	<u>1,118,907,969</u>
Noncontrolling interests	86,230,017	102,770,969	16,328,663
<b>Total shareholders' equity</b>	<u>6,189,922,788</u>	<u>7,145,065,833</u>	<u>1,135,236,632</u>
<b>Total liabilities and shareholders' equity</b>	<u>8,116,204,013</u>	<u>9,761,434,778</u>	<u>1,550,935,791</u>

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

CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

	Ordinary shares (US\$0.01 par value)		Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive Income/(loss) RMB	Retained earnings RMB	Treasury Stock RMB	Total Ctrip's shareholders' equity RMB	Noncontrolling interests RMB	Total shareholders' equity RMB
	Number of shares	Par Value RMB								
Balance as of December 31, 2008	33,468,023	2,761,259	967,687,772	75,948,298	(95,046,427)	1,060,620,258	—	2,011,971,160	2,628,093	2,014,599,253
Exercise of share option	586,921	40,075	107,739,657	—	—	—	—	107,779,732	—	107,779,732
Share-based compensation	—	—	130,528,827	—	—	—	—	130,528,827	—	130,528,827
Capitalization of statutory reserves	—	—	15,368,400	(15,368,400)	—	—	—	—	—	—
Appropriations to statutory reserves	—	—	—	11,909,284	—	(11,909,284)	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	60,330	—	—	60,330	1,592,667	1,652,997
Transfer of unrealized securities holding losses on obtaining control in the investee	—	—	—	—	17,243,654	—	—	17,243,654	—	17,243,654
Net income	—	—	—	—	—	658,973,622	—	658,973,622	7,797,686	666,771,308
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	158,479,081	158,479,081
Acquisition of additional stake in a subsidiary	—	—	(1,509,406)	—	—	—	—	(1,509,406)	(108,347,148)	(109,856,554)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(490,000)	(490,000)
Balance as of December 31, 2009	34,054,944	2,801,334	1,219,815,250	72,489,182	(77,742,443)	1,707,684,596	—	2,925,047,919	61,660,379	2,986,708,298
Exercise of share option	191,469	12,940	49,508,374	—	—	—	—	49,521,314	—	49,521,314
Transaction offering	1,638,750	111,858	1,564,091,883	—	—	—	—	1,564,203,741	—	1,564,203,741
Share-based compensation	—	—	242,561,458	—	—	—	—	242,561,458	—	242,561,458
Appropriations to statutory reserves	—	—	—	20,895,726	—	(20,895,726)	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	(70,001,987)	—	—	(70,001,987)	—	(70,001,987)
Unrealized securities holding gains	—	—	—	—	346,716,514	—	—	346,716,514	—	346,716,514
Net income	—	—	—	—	—	1,048,069,740	—	1,048,069,740	3,921,959	1,051,991,699
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	40,338,913	40,338,913
Establishment of a variable interest entity ("VIE")	—	—	—	—	—	—	—	—	150,000	150,000
Acquisition of additional stake in a subsidiary	—	—	(2,425,928)	—	—	—	—	(2,425,928)	(19,841,234)	(22,267,162)
Balance as of December 31, 2010	35,885,163	2,926,132	3,073,551,037	93,384,908	198,972,084	2,734,858,610	—	6,103,692,771	86,230,017	6,189,922,788
Exercise of share option	207,142	13,395	51,054,507	—	—	—	—	51,067,902	—	51,067,902
Share-based compensation	—	—	341,581,534	—	—	—	—	341,581,534	—	341,581,534
Appropriations to statutory reserves	—	—	—	4,664,760	—	(4,664,760)	—	—	—	—
Repurchasing common stock	(242,832)	—	—	—	—	—	(158,761,225)	(158,761,225)	—	(158,761,225)
Foreign currency translation adjustments	—	—	—	—	(94,851,411)	—	—	(94,851,411)	—	(94,851,411)
Unrealized securities holding losses	—	—	—	—	(276,586,950)	—	—	(276,586,950)	—	(276,586,950)
Net income	—	—	—	—	—	1,076,414,897	—	1,076,414,897	8,545,258	1,084,960,155
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	18,137,400	18,137,400
Acquisition of additional stake in a subsidiary	—	—	(262,654)	—	—	—	—	(262,654)	(10,141,706)	(10,404,360)
Balance as of December 31, 2011	35,849,473	2,939,527	3,465,924,424	98,049,668	(172,466,277)	3,806,608,747	(158,761,225)	7,042,294,864	102,770,969	7,145,065,833

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

**CTRIP.COM INTERNATIONAL, LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011**

	<u>2009</u> RMB	<u>2010</u> RMB	<u>2011</u> RMB	<u>2011</u> US\$
<b>Cash flows from operating activities:</b>				
Net income	666,771,308	1,051,991,699	1,084,960,155	172,382,808
Adjustments to reconcile net income to cash provided by operating activities:				
Share-based compensation	130,528,827	242,561,458	342,791,357	54,464,061
Equity in income of affiliates	(32,869,419)	(66,171,992)	(57,525,830)	(9,139,934)
Provision for doubtful accounts	3,929,035	2,522,077	185,443	29,464
Depreciation of property, equipment and software	45,196,678	62,929,541	78,809,867	12,521,627
Amortization of intangible assets and land use rights	8,135,635	9,742,475	11,066,656	1,758,314
Deferred income tax benefit provision	(14,343,474)	(18,127,580)	(3,388,535)	(538,384)
Loss from disposal of property, equipment and software	461,358	1,534,119	3,379,449	536,940
Changes in current assets and liabilities:				
Increase in accounts receivable	(143,175,414)	(179,508,575)	(166,668,439)	(26,480,948)
Increase (Decrease) in due from related parties	724,058	1,216,410	(1,732,887)	(275,328)
Increase in prepayments and other current assets	(13,532,621)	(61,770,468)	(203,694,403)	(32,363,781)
Decrease (Increase) in long-term deposits	7,546,116	(12,583,994)	496,130	78,827
Increase in accounts payable	111,326,932	186,294,824	166,395,703	26,437,615
Decrease (Increase) in due to related parties	215,172	8,376,634	(5,025,904)	(798,536)
Decrease (Increase) in salary and welfare payable	57,185,869	5,602,497	(14,021,957)	(2,227,865)
Increase in taxes payable	84,356,470	14,903,513	60,282,019	9,577,848
Increase in advances from customers	51,780,875	232,192,281	487,010,431	77,378,165
Increase in accrued liability for customer reward program	28,529,276	33,064,306	40,519,230	6,437,857
Increase in other payables and accruals	34,821,502	35,448,607	27,476,422	4,365,565
Net cash provided by operating activities	<u>1,027,588,183</u>	<u>1,550,217,832</u>	<u>1,851,314,907</u>	<u>294,144,315</u>
<b>Cash flows from investing activities:</b>				
Purchase of property, equipment and software	(175,946,816)	(162,378,845)	(205,212,492)	(32,604,981)
Cash paid for investments	(358,215,242)	(533,009,269)	(5,100,000)	(810,308)
Cash paid for acquisition, net of cash acquired	(177,666,916)	(636,643,782)	(27,532,356)	(4,374,451)
Purchase of intangible assets	(2,200,000)	(3,583,200)	(3,233,850)	(513,807)
Purchase of land use rights	—	—	(9,747,800)	(1,548,769)
(Increase) Decrease in restricted cash	(56,971,348)	(104,698,534)	5,527,208	878,185
(Increase) Decrease in short-term investment	9,123,201	(1,000,086,864)	(94,647,972)	(15,038,048)
Disposal of a subsidiary	(490,000)	—	—	—
Net cash used in investing activities	<u>(762,367,121)</u>	<u>(2,440,400,494)</u>	<u>(339,947,262)</u>	<u>(54,012,179)</u>
<b>Cash flows from financing activities:</b>				
Cash received from issuance of common stock	—	1,564,203,741	—	—
Proceeds from exercise of share option	96,857,641	60,994,078	54,416,536	8,645,917
Repurchase of common stock	—	—	(158,761,225)	(25,224,618)
Cash received from noncontrolling investors	—	150,000	—	—
Cash paid to noncontrolling investors	—	—	(10,404,359)	(1,653,086)
Net cash (used in) provided by financing activities	<u>96,857,641</u>	<u>1,625,347,819</u>	<u>(114,749,048)</u>	<u>(18,231,787)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	2,712,315	(15,848,428)	(47,125,290)	(7,487,456)
Net increase in cash and cash equivalents	364,791,018	719,316,729	1,349,493,307	214,412,893
Cash and cash equivalents, beginning of year	<u>1,069,827,364</u>	<u>1,434,618,382</u>	<u>2,153,935,111</u>	<u>342,225,824</u>
Cash and cash equivalents, end of year	<u>1,434,618,382</u>	<u>2,153,935,111</u>	<u>3,503,428,418</u>	<u>556,638,717</u>
<b>Supplemental disclosure of cash flow information</b>				
Cash paid during the year for income taxes	93,302,980	184,863,797	197,700,444	31,411,437
<b>Supplemental schedule of non-cash investing and financing activities</b>				
Accruals related to purchase of property, equipment and software	(99,836,309)	(120,067,060)	(32,195,338)	(5,115,324)
Liabilities incurred for acquisitions and investments	(28,114,780)	(5,100,000)	(10,750,000)	(1,708,003)

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

## CTRIP.COM INTERNATIONAL, LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. ORGANIZATION AND NATURE OF OPERATIONS

The accompanying consolidated financial statements include the financial statements of Ctrip.com International, Ltd. (the “Company”), its subsidiaries and certain VIE. The Company, its subsidiaries and the consolidated VIEs are collectively referred to as the “Group”.

The Group is principally engaged in the provision of travel related services including hotel reservation, air-ticketing, packaged-tour, corporate travel management services, as well as, to a much lesser extent, Internet-related advertising and other related services.

#### 2. PRINCIPAL ACCOUNTING POLICIES

##### *Basis of presentation*

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

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

##### *Consolidation*

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

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

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

The following is a summary of the Company’s major VIEs:

<u>Name of VIE</u>	<u>Date of establishment/acquisition</u>
Beijing Ctrip International Travel Agency Co., Ltd. (“Beijing Ctrip”)	Acquired on January 15, 2002
Shanghai Ctrip Commerce Co., Ltd. (“Shanghai Ctrip Commerce”)	Established on July 18, 2000
Shanghai Huacheng Southwest Travel Agency Co., Ltd. (“Shanghai Huacheng”)	Established on March 13, 2001
Guangzhou Ctrip International Travel Agency Co., Ltd. (“Guangzhou Ctrip”)	Established on April 28, 2003
Shanghai Ctrip International Travel Agency Co., Ltd. (“Shanghai Ctrip” formerly Shanghai Ctrip Charming International Travel Agency Co., Ltd.)	Acquired on September 23, 2003
Shenzhen Ctrip Travel Agency Co., Ltd. (“Shenzhen Ctrip”)	Established on April 13, 2004
Chengdu Ctrip Travel Agency Co., Ltd. (“Chengdu Ctrip”)	Established on January 8, 2007
Nantong Tongcheng Information Technology Co., Ltd. (“Nantong Tongcheng”)	Established on April 16, 2007
Chengdu Ctrip International Travel Agency Co., Ltd. (“Chengdu Ctrip International”)	Established on November 4, 2008
Ctrip Insurance Agency Co., Ltd. (“Ctrip Insurance”)	Established on July 25, 2011

For the years ended December 31, 2009, 2010 and 2011, the Company would be considered the primary beneficiary of a VIE and consolidated the VIE if the Company had variable interests, that will absorb the entity's expected losses, receive the entity's expected residual returns, or both.

In December 2009, the FASB issued Consolidations—Improvements to Financial Reporting by Enterprises Involved with VIEs which replaced the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has 1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and 2) the obligation to absorb losses from or the right to receive benefits of the variable interest entity that could potentially be significant to the VIE. The Company adopted the new requirements effective January 1, 2010 and the adoption did not have a material impact on the Company's consolidated financial statements for the period ended December 31, 2010 and 2011.

### ***Major variable interest entities***

As of December 31, 2011, the Company conducts a part of its operations through a series of agreements with certain VIEs as stated in above. These VIEs are used solely to facilitate the Group's participation in Internet content provision, advertising business, travel agency and air-ticketing services in the People's Republic of China ("PRC") where foreign ownership is restricted.

Shanghai Ctrip Commerce is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip Commerce holds a value-added telecommunications business license and is primarily engaged in the provision of advertising business on the Internet website. Two senior officers of the Company collectively hold 100% of the equity interest in Shanghai Ctrip Commerce. The registered capital of Shanghai Ctrip Commerce was RMB30,000,000 as of December 31, 2011.

Shanghai Huacheng is a domestic company incorporated in Shanghai, the PRC. Shanghai Huacheng holds a domestic travel agency license and an air transport sales agency license and mainly provides domestic tour services and air-ticketing services. Shanghai Ctrip Commerce and a senior officer of the Company collectively hold 99.93% of the equity interest in Shanghai Huacheng. The registered capital of Shanghai Huacheng was RMB70,000,000 as of December 31, 2011.

Beijing Ctrip is a domestic company incorporated in Beijing, the PRC. Beijing Ctrip holds an air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. A senior officer of the Company and Shanghai Ctrip Commerce collectively hold 100% of the equity interest in Beijing Ctrip. The registered capital of Beijing Ctrip was RMB40,000,000 as of December 31, 2011.

Guangzhou Ctrip is a domestic company incorporated in Guangzhou, the PRC. Guangzhou Ctrip holds air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. Two senior officers of the Company collectively hold 100% of the equity interest in Guangzhou Ctrip. The registered capital of Guangzhou Ctrip was RMB3,000,000 as of December 31, 2011.

Shanghai Ctrip is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. Two senior officers of the Company collectively control 98.2% of the equity interest in Shanghai Ctrip. The registered capital of Shanghai Ctrip was RMB5,000,000 as of December 31, 2011.

Shenzhen Ctrip is a domestic company incorporated in Shenzhen, the PRC. Shenzhen Ctrip holds air transport sales agency license and domestic travel agency license and is engaged in the provision of air-ticketing service. Two senior officers of the Company collectively hold 100% of the equity interest in Shenzhen Ctrip. The registered capital of Shenzhen Ctrip was RMB2,500,000 as of December 31, 2011.

Chengdu Ctrip is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip holds air transport sales agency license and domestic travel agency license and is engaged in the provision of air-ticketing service. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip. The registered capital of Chengdu Ctrip was RMB3,500,000 as of December 31, 2011.

Nantong Tongcheng is a domestic company incorporated in Nantong, the PRC. Nantong Tongcheng was established in April 2007. Nantong Tongcheng holds a value-added telecommunications business license. A family member of senior officer holds 100% of the equity interest in Nantong Tongcheng. The registered capital of Nantong Tongcheng was RMB10,000,000 as of December 31, 2011.

Chengdu Ctrip International is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip International holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip International. The registered capital of Chengdu Ctrip International was RMB2,000,000 as of December 31, 2011.

Ctrip Insurance is an insurance agency incorporated in Shanghai, the PRC. Ctrip Insurance was established in July 2011. Ctrip Insurance holds an insurance agency business license. Shanghai Ctrip Commerce and Ctrip Computer Technology (Shanghai) Co., Ltd. (“Ctrip Computer Technology”) hold 100% of the equity interest in Ctrip Insurance. The registered capital of Ctrip Insurance was RMB50,000,000 as of December 31, 2011.

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

As of December 31, 2011, the Company has various agreements with its consolidated VIEs, including loan agreements, exclusive technical consulting and services agreements, share pledge agreements, exclusive option agreements and other operating agreements.

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

***Powers of Attorney:*** The equity owners of the VIEs irrevocably appointed the Company’s officers to vote on their behalf on all matters they are entitled to vote on, including matters relating to the transfer of any or all of their respective equity interests in VIEs and the appointment of the chief officer of the VIEs.

***Share Pledge Agreements:*** The equity owners pledge their respective equity interests in the VIEs as a guarantee for the payment by the VIEs of technical and consulting services fees under the exclusive technical consulting and services agreements.

***Exclusive Technical Consulting and Services Agreements:*** The Company provides the VIEs with technical consulting and related services and information services. The Company is the exclusive provider of these services. The initial term of these agreements is ten years. In consideration for those services, the VIEs agree to pay the Company service fees. The service fees are eliminated upon consolidation.

***Business Loan Agreement:*** Loans were granted to certain directors and officers with the sole and exclusive purpose of providing funds necessary for the capitalization and acquisition of the VIEs. As soon as the Chinese government lifts its substantial restrictions on foreign ownership of the air-ticketing, travel agency, advertising, or Internet content provision business in the PRC, as applicable, the Company will exercise its exclusive option to purchase all outstanding equity interest of the VIEs and the Business Loan Agreements will be cancelled.

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

The Company has been advised by Commerce & Finance Law Offices, its PRC legal counsel, that its contractual arrangements with its consolidated VIEs as described in the Company’s annual report are valid, binding and enforceable under the current laws and regulations of China. Based on such legal opinion and the management’s knowledge and experience, the Company believes that its contractual arrangements with its consolidated VIEs are in compliance with current PRC laws and legally enforceable. However, there may be in the event that the affiliated Chinese entities and their respective shareholders fail to perform their contractual obligations, the Company may have to rely on the PRC legal system to enforce its rights. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system is still evolving, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit remedies available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Due to the uncertainties with respect to the PRC legal system, the PRC government authorities may ultimately take a view contrary to the opinion of its PRC legal counsel with respect to the enforceability of the contractual arrangements.

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, the Company cannot be assured that the PRC government authorities will not ultimately take a view that is contrary to the Company's belief and the opinion of its PRC legal counsel. If the contractual arrangements establishing the Company's VIE structure are found to be in violation of any existing or future PRC laws or regulations, the relevant PRC government authorities will have broad discretion in dealing with such violation, including, without limitation, levying fines, confiscating our income or the income of our affiliated Chinese entities, revoking our business licenses or the business licenses of our affiliated Chinese entities, requiring us and our affiliated Chinese entities to restructure our ownership structure or operations and requiring us or our affiliated Chinese entities to discontinue any portion or all of our value-added telecommunications, airticketing, travel agency or advertising businesses. If the imposing of these penalties cause the Company to lose its rights to direct the activities of and receive economic benefits from its VIEs, which in turn may restrict the Company's ability to consolidate and reflect in its financial statements the financial position and results of operations of its VIEs.

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

Pursuant to the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs, and can have assets transferred freely out of the VIEs without any restrictions. Therefore the Company considers that there is no asset of a consolidated VIE that can be used only to settle obligations of the VIE, except for registered capital and PRC statutory reserves of the VIEs amounting to a total of RMB254 million as of December 31, 2011. As all the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs, which consisted of accounts payable of RMB538 million, due to related parties of RMB0.2 million, salary and welfare payable RMB51 million, taxes payable of RMB62 million, advance from customers of RMB824 million and other payables and accruals of RMB52 million. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the consolidated VIEs. As the Company is conducting certain business in the PRC mainly through the VIEs, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss.

#### ***Foreign currencies***

The Group's reporting currency is RMB. The Company's subsidiaries and VIEs, with an exception of Ctrip.com (Hong Kong) Limited, C-Travel International Limited ("C-Travel"), Starway Hotels (Hong Kong) Limited ("Starway Hong Kong"), ezTravel Co., Ltd. ("ezTravel") and HKWOT (BVI) Limited ("Wing On Travel"), use RMB as their functional currency. Ctrip.com (Hong Kong) Limited, Starway Hong Kong and Wing On Travel operate primarily using the Hong Kong dollar ("HK\$"), C-Travel operates primarily using the United States dollars ("US\$"), and ezTravel operates primarily using the Taiwan dollar ("NT\$") and therefore, the HK\$, US\$ and NT\$ have been determined to be the functional currency for the subsidiaries, respectively. From 2009, Ctrip.com International, Ltd., our listed Company incorporated in Cayman Islands, changed its functional currency from RMB to US\$ due to changes in its economic facts and circumstances, including growth in existing operations outside of mainland China and an active plan to explore overseas markets. The impact of such change is immaterial to the financial results of the Group for the year ended December 31, 2009.

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

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

Translations of amounts from RMB into US\$ are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.2939 on December 30, 2011, representing the certificated exchange rate published by the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2011, or at any other rate.

### ***Stock split***

On January 8, 2010, the Company announced a change in the ratio of its ADSs to ordinary shares from two ADS representing one ordinary share to four ADSs representing one ordinary share, effective on January 21, 2010. For Ctrip's ADS holders, this ratio change had the same effect as a two-for-one ADS split.

All shares and per share amount in these consolidated financial statements and related notes have been retroactively adjusted to reflect the change in ratio for all periods presented.

### ***Cash and cash equivalents***

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

### ***Restricted cash***

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

### ***Short-term investment***

Short-term investment represents bank certificates of deposit placed with banks or other financial institutions with original maturities from the date of purchase of more than three months.

### ***Land use rights***

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

### ***Property, equipment and software***

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

Building	20-30 years
Leasehold improvements	Lesser of the term of the lease or the estimated useful lives of the assets
Website-related equipment	5 years
Computer equipment	3-5 years
Furniture and fixtures	3-5 years
Software	3-5 years

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

### ***Investments***

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

The Company applies equity method in accounting for our investments in entities in which the Company has the ability to exercise significant influence but does not own a majority equity interest or otherwise controls. Cost method is used for investments over which the Company does not have the ability to exercise significant influence. On May 21, 2009, the Company acquired additional equity interest in Home Inns & Hotels Management Inc. ("Home Inns"), resulting in the Company possessing the ability to exercise significant influence and meeting requirement to apply equity method of accounting (Note 7). Under this method, the Company's share of the post-acquisition profits or losses of an affiliated entity is recognized in the consolidated statements of income and comprehensive income. Unrealized gains on transactions between the Company and the affiliated entity are eliminated to the extent of the Company's interest in the affiliated entity; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Company's share of losses in the affiliated entity equals or exceeds its interest in the affiliated entity, the Company does not recognize further losses, unless the Company has incurred obligations or made payments on behalf of the affiliated entity.

The Company classifies its investments in debt and equity securities into one of three categories and accounts for these as follows: (i) debt securities that the Company has the positive intent and the ability to hold to maturity are classified as “held to maturity” and reported at amortized cost; (ii) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as “trading securities” with unrealized holding gains and losses included in earnings; (iii) debt and equity securities not classified as held to maturity or as trading securities are classified as “available-for-sale” and reported at fair value. The Company has designated its investment in commons shares of China Lodging Group, Limited (“Hanting”) as available-for-sale equity securities and its convertible redeemable preferred shares (“Preferred Share”) of Dining Secretary China Limited (“Dining Secretary”) as available-for-sale debt securities in accordance with Accounting Standard Codification (“ASC”) 320-10, respectively. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported as accumulated other comprehensive income (loss), net of tax. Realized gains or losses are charged to earnings during the period in which the gain or loss is realized.

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

#### ***Fair value measurement of financial instruments***

Financial instruments of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investment, accounts receivable, due from related parties, available-for-sale investments, accounts payable, due to related parties, advances from customers and other payables. As of December 31, 2010 and 2011, carrying values of these financial instruments except for available-for-sale investments approximated their fair values because of their generally short maturities. The Company reports available-for-sale investments at fair value at each balance sheet date and includes any unrealized gains and losses (change in fair value that is considered temporary) in stockholders’ equity or in the statement of income (change in fair value that is considered other-than-temporary).

The Company does not have any financial liabilities which must be measured at fair value on a recurring basis.

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

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

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

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

#### ***Business combinations***

U.S. GAAP requires that all business combinations be accounted for under the purchase method. From January 1, 2009, the Group adopted ASC 805, “Business combinations”. Following this adoption, the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non controlling interests. The excess of the (i) the total of cost of acquisition, fair value of the non controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

From January 1, 2009, following the adoption of ASC 810, “Consolidation”, the Company also renamed the minority interests to noncontrolling interests and reclassified it on the consolidated balance sheet from the mezzanine section between liabilities and equity to a separate line item in shareholders’ equity. The Company has applied the presentation and disclosure requirements retrospectively for all period presented.

### Acquisitions

#### Wing On Travel

In May 2010, to develop and expand our overseas business, our wholly-owned subsidiary C-Travel, a Cayman Island company, successfully completed the transaction to acquire 90% of the issued share capital of Wing On Travel’s travel service segment, a Hong Kong based travel service provider that offers packaged-tours as well as air tickets and hotel reservation services. We obtained control over Wing On Travel and have consolidated its financial statements since then. The total purchase price for the transaction is approximately RMB598 million (US\$88 million). The cash payment is approximately RMB454 million (approximately US\$68 million) after the Company assumed net current liability of Wing On Travel as of acquisition date. Based on the Company’s assessment, financial results of Wing On Travel is not considered material to the Group for the year ended December 31, 2010 and 2011.

#### Purchase Price Allocation

Under business combination accounting rules, the total purchase price was allocated to Wing On Travel’s net tangible and identifiable intangible assets based on their estimated fair values as set forth below. The excess of the (i) the total of cost of acquisition, fair value of the non controlling interests and acquisition date fair value of previously held equity interest in Wing On Travel over (ii) the fair value of the identifiable net assets of Wing On Travel is recorded as goodwill. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities, based on independent appraisal reports as well as its experience with similar assets and liabilities in similar industries. The final purchase price allocation results as of May 27, 2010 are extracted and set out below, which is designated as the acquisition date:

	Fair Value
	RMB
Cash and cash equivalents	11,289,928
Restricted cash	10,585,433
Accounts receivable	23,583,536
Amount due from affiliate	455,665
Receivables due from related parties	1,745,930
Prepayments and other current assets	33,194,634
<b>Current assets</b>	<b>80,855,126</b>
Intangible assets	232,183,200
Property, equipment and software	7,858,060
Long-term deposits	77,438
Investments in affiliates	2,315,208
<b>Non-current assets</b>	<b>242,433,906</b>
Accounts payable	(119,074,454)
Due to related parties	(5,750,730)
Salary and welfare payable	(4,052,475)
Taxes payable	(3,931,719)
Advances from customers	(83,465,919)
Other payables and accruals	(9,732,729)
<b>Current liabilities</b>	<b>(226,008,026)</b>
Other long-term payables	(113,694)
Deferred tax liabilities, non-current	(38,310,228)
<b>Non-current liabilities</b>	<b>(38,423,922)</b>
<b>Fair value of net assets acquired (a)</b>	<b>58,857,084</b>
Purchase price (b)	453,812,774
Non-controlling interest (c)	40,338,913
<b>Goodwill (b + c – a)</b>	<b>435,294,603</b>

Goodwill represents the expected synergies from combining operations of the Company and Wing On Travel, which are complementary in a way to each other, and any other intangible benefits that would accrue to the Company that do not qualify for separate recognition. In accordance with ASC 805, goodwill is not amortized but is tested for impairment and is not deductible for tax purpose.

The fair value of non-controlling interest was measured proportionally based on the purchase price of 90% of its equity interest, taking into consideration of 20% non-controlling interest discount.

In performing the purchase price allocation, the Company considered the analyses of historical financial performance and estimates of future performance of Wing On Travel's business. The fair value of intangible assets was measured by income approach and major components of intangible assets associated with the Wing On Travel acquisition were set out below:

	<u>Fair value</u>	<u>Useful lives</u>
	<b>RMB</b>	
Customer list	6,087,200	3 years
Trademark	<u>226,096,000</u>	Indefinite
	<u>232,183,200</u>	

Customer list has been identified as an intangible asset as Wing On Travel has approximately 700 thousand registered users on its website, on which they could book air tickets, hotel rooms and tour packages. The amortization period of 3 years was based on the estimated useful life of the customer list.

Trademark refers to the trademark of "Wing On Travel" and logos used. It was registered in Hong Kong, PRC, Macau, Australia, Canada and Japan with different expiration date starting from 2011 to 2020 and can be renewed with minimal costs. Wing On Travel is a well recognized branding with over 45 years history in Hong Kong. It has been awarded the honor of "Best Travel Agency in Hong Kong" for 2011, the 6th consecutive year dating back to 2006. The useful life of the trademark is indefinite.

#### *ezTravel*

To develop and expand overseas business, in 2006, a wholly-owned subsidiary C-Travel, a Cayman Island company, made a minority investment in ezTravel, an online travel service provider in Taiwan that offers packaged tours as well as hotel and air tickets reservation services. In 2009, the Company consolidated ezTravel's financial statements as it acquired controlling financial interest of ezTravel since then. The financial results of ezTravel were not significant for the Group for the year ended December 31, 2010 and 2011.

#### *Purchase Price Allocation*

Under business combination accounting rules, the total purchase price was allocated to ezTravel's net tangible and identifiable intangible assets based on their estimated fair values as set forth below. The excess of the (i) the total of cost of acquisition, fair value of the non controlling interests and acquisition date fair value of previously held equity interest in ezTravel over (ii) the fair value of the identifiable net assets of ezTravel is recorded as goodwill. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities, based on independent appraisal reports as well as its experience with similar assets and liabilities in similar industries. The final purchase price allocation results as of acquisition date were set out below:

	<u>Fair Value</u>
	<b>RMB</b>
Cash and cash equivalents	72,580,989
Restricted cash	45,727,507
Short-term investment	7,285,023
Accounts receivable	5,208,390
Prepayments and other current assets	14,584,018
Deferred tax assets, current	177,030
Current assets	<u>145,562,957</u>
Intangible assets	45,700,613
Property, equipment and software	2,752,425
Long-term deposits	5,241,305
Other long-term assets	50,039
Non-current assets	<u>53,744,382</u>
Accounts payable	(39,204,510)
Salary and welfare payable	(7,763,640)
Taxes payable	(3,154,539)
Advances from customers	(32,844,573)
Other payables and accruals	(4,214,892)
Current liabilities	<u>(87,182,154)</u>
Deferred tax liabilities, non-current	(11,425,153)
Non-current liabilities	<u>(11,425,153)</u>
Fair value of net assets acquired (a)	<u>100,700,032</u>
Cumulative considerations (b)	<u>191,468,053</u>
Non-controlling interest at fair value (c)	<u>158,479,081</u>
Goodwill (b + c - a)	<u>249,247,102</u>

Goodwill represents the expected synergies from combining operations of the Company and ezTravel, which are complementary in a way to each other, and any other intangible benefits that would accrue to the Company that do not qualify for separate recognition. In accordance with ASC 805, goodwill is not amortized but is tested for impairment and is not deductible for tax purpose.

The fair value of non-controlling interest has been determined with regards to the prices in recent share transactions made at arms length close to the acquisition date, taking into consideration other factors, as appropriate.

In performing the purchase price allocation, the Company considered the analyses of historical financial performance and estimates of future performance of ezTravel's business. The fair value of intangible assets was measured by income approach and major components of intangible assets associated with the ezTravel acquisition were set out below:

	<u>Fair value</u>	<u>Useful lives</u>
	<b>RMB</b>	
Customer list	5,055,378	3 years
Trademark	40,645,235	Indefinite
	<u>45,700,613</u>	

Customer list has been identified as an intangible asset as ezTravel has approximately 500 thousand registered users on its website, on which they could book air tickets, hotel rooms and tour packages. The amortization period of 3 years was based on the estimated useful life of the customer list.

Trademark represents the trademark, ezTravel, which was registered in PRC and Taiwan with different expiration date starting from 2011 to 2020 and can be renewed with minimal costs for 10 years; and domain name, which is updated every two years. The trademark is an intangible asset that relates to the name recognition of a company and its products or services. Trademark is increasingly a focus of corporate value for an entity as stronger, well-known names typically command premium pricing and generate excess earnings. The useful life of the trademark is indefinite.

*China Software Hotel Information System Co., Ltd (“Software Hotel Information”)*

In July 2008, the Company reached an agreement to purchase 90% equity of Software Hotel Information, a leading hotel management system provider in China, to support the Group's hotel services and develop and expand its travel related business. Total purchase price for this acquisition amounted to RMB80 million, with up to RMB10 million in additional contingent consideration. In April 2009, RMB90 million was agreed and determined as the final purchase price of this acquisition. The financial results of Software Hotel Information were not significant for the Group for the year ended December 31, 2010 and 2011.

The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill by RMB48 million as at December 31, 2008, and further increased to RMB58 million in April 2009 according to the final purchase price.

There is only one reporting unit in the Group. The goodwill arose from the acquisitions discussed above have been allocated to this reporting unit. None of the goodwill acquired is expected to be deductible for income tax purposes.

*Other acquisitions*

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

***Goodwill and other intangible assets***

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

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

Based on the Company's results of the qualitative test for goodwill impairment, as of December 31, 2011, the Company believes that it is more-likely-than-not that the fair value of the reporting unit is greater than their respective carrying values. There was no impairment of goodwill during the years ended December 31, 2011, 2010 and 2009. Each quarter the Company reviews the events and circumstances to determine if goodwill impairment is indicated.

Separately identifiable intangible assets that have determinable lives continue to be amortized and consist primarily of non-compete agreements, customer list, supplier relationship, technology patent and a cross-border travel agency license as of December 31, 2010 and 2011. The Company amortizes intangible assets on a straight-line basis over their estimated useful lives, which is three to ten years. The estimated life of amortized intangibles is reassessed if circumstances occur that indicate the life has changed. Other intangible assets that have indefinite useful life primarily include trademark and domain names as of December 31, 2010 and 2011. The Company evaluates indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment.

The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and also reviews intangible assets with indefinite lives annually for impairment.

No impairment on other intangible assets was recognized for the years ended December 31, 2009, 2010 and 2011.

#### ***Impairment of long-lived assets***

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

No impairment of long-lived assets was recognized for the years ended December 31, 2009, 2010, and 2011.

#### ***Accrued liability for customer reward program***

The Group's customers participate in a reward program, which provides travel awards and other gifts to members based on accumulated membership points that vary depending on the services rendered and fees paid. The estimated incremental costs to provide free travel and other gifts are recognized as sales and marketing expense in the statements of income and comprehensive income and accrued for as a current liability as members accumulate points. As members redeem awards or their entitlements expire, the accrued liability is reduced correspondingly. As of December 31, 2010, and 2011, the Group's accrued liability for its customer reward program amounted to RMB121,319,301 and RMB161,838,531, respectively, based on the estimated liabilities under the customer reward program.

#### ***Revenue recognition***

The Group conducts its principal businesses in Great China Area primarily through Ctrip Computer Technology (Shanghai) Co., Ltd. ("Ctrip Computer Technology"), Ctrip Travel Information Technology (Shanghai) Co., Ltd. ("Ctrip Travel Information"), Ctrip Travel Network Technology (Shanghai) Co., Ltd. ("Ctrip Travel Network"), Ctrip Information Technology (Nantong) Co., Ltd. ("Ctrip Information Technology"), ezTravel and Wing On Travel. Some of the operations of Ctrip Computer Technology and Ctrip Travel Network are conducted through a series of services and other agreements with the VIEs.

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

In November 2011, the Ministry of Finance released Circular Caishui [2011] No. 111 mandating Shanghai to carry out a pilot program of tax reform. Effective January 1, 2012, selected entities within modern service industries will switch from a business tax payer to a value-added tax (“VAT”) payer. The Company expects such tax reform will not have material impact on its consolidated financial statements.

#### *Hotel reservation services*

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

#### *Air-ticketing services*

Air-ticketing revenues primarily include commissions from air ticket booking and related services, including sales of aviation casualty insurance, and revenue generated from air-ticket delivery services. The Group receives commissions from travel suppliers for air-ticketing services through the Group’s transaction and service platform under various services agreements. Commissions from air-ticketing services rendered are recognized after air tickets are issued. The Group presents revenues from such transactions on a net basis in the statements of income as the Group, generally, does not assume inventory risks and has no obligations for cancelled airline ticket reservations. Loss due to obligations for cancelled airline ticket reservations is minimal in the past.

#### *Packaged-tour*

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

Shanghai Ctrip, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip and Wing On Travel conduct domestic and cross-border travel tour services. Revenues, mainly referral fees, are recognized as commissions on a net basis after the services are rendered. In cases where these entities undertake the majority of the business risks and acts as principal related to the travel tour services provided, revenues are recognized at gross amounts received from customers after the services are rendered. Loss due to obligations from cancelled travel services of such principal arrangement is minimal in the past.

#### *Corporate travel*

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

#### *Other businesses*

Other businesses comprise primarily of Internet-related advertising services, the sale of Property Management System (“PMS”), and related maintenance service, commissions from train tickets booking and money exchange transaction services.

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

Software Hotel Information conducts sale of PMS and related maintenance service. The sale of PMS is recognized upon customer acceptance. Maintenance service is recognized ratably over the term of the maintenance contract on a straight-line basis.

#### ***Allowance for doubtful accounts***

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RMB	RMB	RMB
Balance at beginning of year	12,388	3,630,012	5,718,742
Provision for doubtful accounts	3,929,035	2,522,077	185,443
Write-offs	<u>(311,411)</u>	<u>(433,347)</u>	<u>(930,047)</u>
Balance at end of period	<u>3,630,012</u>	<u>5,718,742</u>	<u>4,974,138</u>

#### ***Cost of revenues***

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

#### ***Product development***

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

#### ***Sales and marketing***

Sales and marketing expenses consist primarily of costs of payroll and related compensation for the Company's sales and marketing personnel, advertising expenses, and other related marketing and promotion expenses. Advertising expenses, amounting to RMB56,007,644, RMB98,489,080 and RMB163,324,295 for the years ended December 31, 2009, 2010 and 2011 respectively, are charged to the statements of income as incurred.

#### ***Share-based compensation***

The Company has followed ASC 718 "Stock Compensation" since January 1, 2006, using the modified prospective approach. In accordance with the guidance, all grants of stock options are recognized in the consolidated financial statements based on their grant date fair values. The valuation provisions of the statement apply to new awards, to awards granted to employees before the adoption whose related requisite services had not been provided, and to awards which were subsequently modified or cancelled. The Company has applied the provisions of ASC 718-10—S99 regarding the use of the simplified method in developing estimates of the expected lives of share options. We will continue to use the simplified method until we have the historical data necessary to provide reasonable estimates of expected lives for certain options granted after 2008.

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

Under ASC 718, the Company applied the Black-Scholes valuation model in determining the fair value of options granted. Risk-free interest rates are based on US Treasury yield for the terms consistent with the expected life of award at the time of grant. Expected life is based on historical exercise patterns, for options granted before 2008 which the Company has historical data of and believes are representative of future behavior. For options granted since 2008, the Company used simplified method to estimate its expected life, as there are no historical data for options which follow four year vesting period (all options granted before 2008 had three year vesting period). Expected dividend yield is determined in view of the Company's historical dividend payout rate and future business plan. The Company estimates expected volatility at the date of grant based on historical volatilities. The Company recognizes compensation expense on all share-based awards on a straight-line basis over the requisite service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future change in circumstances and facts, if any. If actual forfeitures differ from those estimates, we may need to revise those estimates used in subsequent periods.

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

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

#### *Share incentive plans*

On November 5, 2004, the Company's board of directors adopted a 2005 Employee's Stock Option Plan ("2005 Option Plan"). The 2005 Option Plan was approved by the shareholders of the Company in October 2005. The Company has reserved 3,000,000 ordinary shares for future issuances of options under the 2005 Option Plan. The terms of the 2005 Option Plan are substantially similar to the Company's 2003 Option Plan. As of December 31, 2011, 1,242,025 options were outstanding under the 2005 Option Plan.

On October 17, 2007, the Company adopted a 2007 Share Incentive Plan ("2007 Incentive Plan"), which was approved by the shareholders of the Company on June 15, 2007. Under the 2007 Incentive Plan, the maximum aggregate number of shares, which may be issued pursuant to all share-based awards (including Incentive Share Options and Restricted Share Units ("RSU")), is one million ordinary shares as of the first business day of 2007, plus an annual increase of one million shares to be added on the first business day of each calendar year beginning in 2008 to 2016. Under the 2007 Incentive Plan, the directors may, at their discretion, grant any employees, officers, directors and consultants of the Company and/or its subsidiaries such share-based awards. Shares options granted under 2007 Incentive Plan are vested over a period of 4 years. RSUs granted under 2007 Incentive Plan have a restricted period for 4 years. As of December 31, 2011, 4,191,517 options and 190,916 RSUs were outstanding under the 2007 Incentive Plan.

#### *Option modification*

In February 2009, the Board of Directors approved an option modification to reduce the exercise price of all outstanding unvested options that were granted by the Company in 2007 and 2008 to the then fair market value of ordinary shares underlying such options with a new vesting period ranging from three years to four years. The then fair market value was based on the closing price of our ADSs traded on the Nasdaq as of February 10, 2009, which was the last trading day prior to the board approval. Other terms of the option grants remain unchanged. Total options modified amount to 1.6 million. All eligible option grantees affected by such changes had entered into amendments to their original share option agreements with the Company. The Company expects to take a modification charge for the incremental compensation cost of approximately US\$15 million over the remaining vesting periods of three years to four years of the modified options.

In December 2009, the Board of Directors approved an option modification to extend the expiration dates of all stock options granted in 2005 and 2006 to eight years after the respective original grant dates of these options. Other terms of the option grants remain unchanged. Total options modified amount to 0.6 million, which were fully vested. The Company had taken a modification charge for the incremental compensation cost of US\$2.6 million in 2009, the period in which the modification occurred.

In February 2010, the compensation committee approved an option modification to extend the expiration dates of all stock options granted in and after 2007 to eight years after the respective original grant dates of these options. Other terms of the option grants remain unchanged. Total options modified amount to 2.8 million, which includes 2.3 million related to the unvested options and 0.5 million related to the vested options. The Company has taken a modification charge for the incremental compensation cost of US\$2.2 million in 2010 for fully vested options and expects to take approximately US\$2.7 million incremental cost for unvested options over their respective remaining vesting period.

*A summary of option activity under the share option plans*

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2008	3,098,289	61.94	2.90	25,470,062
Granted	947,366	59.94		
Exercised	(586,921)	26.89		
Forfeited	(66,562)	47.66		
Expired	(4,762)	63.00		
Outstanding at December 31, 2009	3,387,410	43.84*	3.97	338,334,777
Granted	1,264,625	128.27		
Exercised	(191,469)	38.28		
Forfeited	(46,085)	97.07		
Outstanding at December 31, 2010	4,414,481	67.71	5.98**	415,360,566
Granted	1,375,345	136.86		
Exercised	(207,142)	38.12		
Forfeited	(149,143)	115.98		
Outstanding at December 31, 2011	5,433,541	85.02	5.59	144,827,231
Vested and expect to vest at December 31, 2011	5,118,844	84.00	5.55	139,500,138
Exercisable at December 31, 2011	1,499,825	41.67	3.87	78,238,564

\* It includes the impact of stock modification in February 2009.

\*\* It includes the impact of stock modification in December 2009 and February 2010.

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

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

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company's closing stock price of US\$93.6 as of December 31, 2011 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2011.

The total intrinsic value of options exercised during the year ended December 31, 2009, 2010 and 2011 were US\$46 million US\$24 million and US\$25 million, respectively.

The following table summarizes information related to outstanding and exercisable options as of December 31, 2011 (in US\$, except shares):

Range of Exercise Prices	Outstanding			Exercisable		
	Number of shares	Weighted-Average Exercise Price	Weighted-average Remaining Contractual Life (Years)	Number of shares	Weighted-Average Exercise Price	Weighted-average Remaining Contractual Life (Years)
17.00-22.99	125,242	19.53	1.08	125,242	19.53	1.08
23.00-34.99	295,259	26.29	1.94	295,259	26.29	1.94
35.00-44.99	1,958,300	38.10	5.05	761,071	38.29	4.99
45.00-58.99	194,322	58.39	3.12	194,322	58.39	3.12
59.00-77.99	9,033	77.02	3.62	9,033	77.02	3.62
78.00-96.99	346,267	96.70	5.67	114,898	96.70	5.67
97.00-129.99	1,418,429	118.30	6.63	—	—	—
130.00-159.99	1,086,689	150.73	7.13	—	—	—
	<u>5,433,541</u>			<u>1,499,825</u>		

The weighted average fair value of options granted during the years ended December 31, 2009, 2010 and 2011 was US\$25.34, US\$61.02 and US\$64.79 per share, respectively.

As of December 31, 2011, there was US\$129.3 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options which are expected to be recognized over a weighted average period of 2.4 year. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. For the twelve months ended December 31, 2011, total cash received from the exercise of share options amounted to RMB54,416,536 (approximately US\$8.6 million).

The Company calculated the estimated fair value of share options on the date of grant using the Black-Scholes pricing model with the following assumptions for the year ended December 31, 2009, 2010 and 2011:

	2009	2010	2011
Risk-free interest rate	1.16% -1.89%	1.76% -2.41%	0.81% -2.11%
Expected life (years)	2.8-4.0	5.0	5.0
Expected dividend yield	0%	0%	0%
Volatility	51% -55%	52% -53%	53%-55%
Fair value of options at grant date per share	from US\$13.80 to US\$41.98	from US\$57.24 to US\$73.59	from US\$48.69 to US\$74.39

The Company granted 8,600 and 188,407 restricted share units to employees with 4 years requisite service period in 2010 and 2011, respectively under 2007 Incentive Plan with total share-based compensation cost amounted to US\$1.2 million and US\$22.5 million. As of December 31, 2011, there was US\$21.0 million unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted shares, which are to be recognized over a weighted average vesting period of 3.6 years. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

#### ***Operating leases***

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

#### ***Taxation***

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

Effective January 1, 2007, the Company adopted ASC 740, "Income Taxes". It clarifies the accounting for uncertainty in income taxes recognized in the Company's consolidated financial statements and prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

As of December 31, 2011, the Company did not record any liability for uncertain tax positions. The Company's policy is to recognize, if any, tax related interest as interest expenses and penalties as general and administrative expenses. For 2011, the Company did not have any interest and penalties associated with tax positions.

### **Other income**

Other income primarily consists of financial subsidies and foreign exchange gains. Financial subsidies from local PRC government authority were recorded as other income in the consolidated statements of income. There are no defined rules and regulations to govern the criteria necessary for companies to enjoy such benefits and the amount of financial subsidy are determined at the discretion of the relevant government authority. Financial subsidies are recognized as other income when received. Components of other income for the year ended December 31, 2009, 2010 and 2011 were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RMB	RMB	RMB
Financial subsidies	53,951,319	64,016,045	72,791,093
Foreign exchange gains	849,075	34,142,139	34,879,388
Reimbursement from the depository	4,380,180	—	8,080,557
Others	1,620,706	967,332	1,872,687
Total	<u>60,801,280</u>	<u>99,125,516</u>	<u>117,623,725</u>

### **Statutory reserves**

The Company's PRC subsidiaries and the VIEs are required to allocate at least 10% of their after-tax profit to the general reserve in accordance with the PRC accounting standards and regulations. The allocation to the general reserve can be stopped if such reserve has reached 50% of the registered capital of each company. Appropriations to the enterprise expansion fund, staff welfare and bonus fund are at the discretion of the board of directors of Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, Ctrip Information Technology, Software Hotel Information and Starway Shanghai, the subsidiaries of the Company. Appropriations to discretionary surplus reserve are at the discretion of the board of directors of the VIEs. These reserves can only be used for specific purposes and are not transferable to the Company in form of loans, advances, or cash dividends. During the years ended December 31, 2009, 2010, and 2011, appropriations to statutory reserves have been made of RMB11,909,284, RMB19,325,938, and RMB3,408,849, respectively. The Company's subsidiary in Taiwan, ezTravel, is required to allocate 10% of its after-tax profit to the statutory reserve in accordance with the Taiwan regulations. During the years ended December 31, 2010 and 2011, appropriations to statutory reserves equivalent to RMB1,569,788, and RMB1,255,911 have been made, respectively. There is no such regulation of providing statutory reserve in Hong Kong.

### **Dividends**

Dividends are recognized when declared.

PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The Company's PRC subsidiaries can only distribute dividends after they have met the PRC requirements for appropriation to statutory reserves. Additionally, as the Company does not have any direct ownership in the VIEs, the VIEs cannot directly distribute dividends to the Company. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. As substantially all of our revenues are in RMB, any restrictions on currency exchange may limit our ability to use revenue generated in RMB to fund our business activities outside China or to make dividend payments in U.S. dollars. Restricted net assets of the Company's PRC subsidiaries and VIEs not distributable in the form of dividends to the parent as a result of the aforesaid PRC regulations and other restrictions were RMB1.1 billion as of December 31, 2011.

As a result of the aforementioned PRC regulation and the Company's organizational structure, accumulated profits of the subsidiaries in PRC distributable in the form of dividends to the parent as of December 31, 2009, 2010 and 2011 were RMB 1.0 billion, RMB2.0 billion and RMB2.9 billion, respectively. The Company's PRC subsidiaries and VIEs are able to enter into royalty and trademark license agreements or certain other contractual arrangements at the discretion of the Company without third party consent, for which the compensatory element of the arrangement is excluded from the accumulated profits.

On June 15, 2007, the Company announced that the shareholders have adopted a resolution to approve the Company's proposed distribution of 30% of its net income for 2007 to the shareholders of the Company as dividends, subject to determination of the record date by the Company's Board of Directors. The Board of Directors had also approved such proposed dividend distribution. The Company accrued dividend payable of RMB119,497,083 for the year ended December 31, 2007. On July 7, 2008, the Company distributed the dividends to its shareholders of record as of June 12, 2008, at a dividend rate of RMB3.38 (US\$0.488), per ordinary share. The translation gain arising between December 2007 and July 2008 (date of payment) amount to RMB7,230,249 is included in foreign exchange gain for the year ended December 31, 2008.

Effective January 1, 2008, current CIT Law imposes a 10% withholding income tax for dividends distributed by foreign invested enterprises to their immediate holding companies outside mainland China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Distributions to holding companies in Hong Kong that satisfy certain requirements specified by PRC tax authorities, for example, will be subject to a 5% withholding tax rate.

As of December 31, 2011, the Company did not record any withholding tax on the retained earnings of its foreign invested enterprises in the PRC, since the Company intends to reinvest all of its earnings to further expand its business in mainland China.

### ***Earnings per share***

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

### ***Treasury stock***

On July 30, 2008 and September 30, 2008 our board of directors and shareholders respectively approved a US\$15 million share repurchase plan. On September 29, 2011, our board of directors approved another US\$100 million share repurchase plan. The share-repurchase programs do not require the Company to acquire a specific number of shares and may be suspended or discontinued at any time.

Treasury stock consists of ADS repurchased by the Group under these two plans. During the years ended December 31, 2011, the Company repurchased 242,832 shares at a cost of USD\$25 million. Treasury stock is accounted for under the cost method.

### ***Segment reporting***

The Company operates and manages its business as a single segment. In accordance with “*Disclosures about Segment of an Enterprise and Related Information*”, the Company’s chief operating decision-maker has been identified as the CEO, who reviews operating results to make decisions about allocating resources and assessing performance for the entire company. Since the Company operates in one reportable segment, all financial segment and product information required by this statement can be found in the Consolidated Statements.

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

### ***Recent accounting pronouncements***

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (“ASU 2011-04”). This update amends ASC Topic 820, “Fair Value Measurement and Disclosure.” ASU 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. ASU 2011-04 is effective for annual and interim reporting periods beginning on or after December 15, 2011, which means that it will be effective for the Company’s fiscal quarter beginning January 1, 2012. The new guidance is to be adopted prospectively and early adoption is not permitted. The Company does not expect ASU 2011-04 to have a significant impact on the Group’s consolidated result of operations and financial condition.

In June 2011, the FASB issued ASU No. 2011-05 (“ASU 2011-05”), Comprehensive Income (Topic 220)—Presentation of Comprehensive Income. ASU 2011-05 eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, it requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The new guidance will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and will have presentation changes only. The Company has not early adopted the new guidance and does not expect the adoption of ASU 2011-05 to have a material impact on the Group’s consolidated results of operations and financial condition.

In September 2011, the FASB issued ASU No. 2011-08, “Testing Goodwill for Impairment”. This revised authoritative guidance modifies goodwill impairment testing by providing entities with an option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The amendments are effective for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company has not early adopted the new guidance and expects the adoption to have no material impact on the Group’s consolidated result of operations and financial condition.

***Certain risks and concentration***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investment, accounts receivable, amounts due from related parties, prepayments and other current assets. As of December 31, 2009, 2010 and 2011, substantially all of the Company’s cash and cash equivalents, restricted cash and short-term investment were held in major financial institutions located in the PRC and in Hong Kong, which management considers to be of high credit quality. Accounts receivable are generally unsecured and denominated in RMB, and are derived from revenues earned from operations arising primarily in the PRC.

No individual customer accounted for more than 10% of net revenues for the years ended December 31, 2009, 2010 and 2011. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2010 and 2011.

**3. PREPAYMENTS AND OTHER CURRENT ASSETS**

Components of prepayments and other current assets as of December 31, 2010 and 2011 were as follows:

	<u>2010</u>	<u>2011</u>
	RMB	RMB
Prepayments and deposits to vendors	307,475,952	529,791,210
Interest receivable	19,463,944	10,049,752
Prepayments for property and equipment	2,070,608	6,736,223
Employee advances	3,182,906	4,692,497
Receivables from financial institution	12,118,618	3,024,192
Others	8,302,461	6,899,277
<b>Total</b>	<u><u>352,614,489</u></u>	<u><u>561,193,151</u></u>

**4. LONG-TERM DEPOSITS**

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

Components of long-term deposit as of December 31, 2010 and 2011 were as follows:

	<u>2010</u>	<u>2011</u>
	RMB	RMB
Deposits paid to airline suppliers	130,547,730	124,565,156
Deposit paid to lessor	15,399,710	17,172,324
Deposit paid to travel bureau	60,000	110,000
Others	9,849,182	13,513,012
<b>Total</b>	<u><u>155,856,622</u></u>	<u><u>155,360,492</u></u>

**5. LAND USE RIGHTS**

The Company’s land use rights are related to the payment to acquire three land use rights, one of total cost RMB68,269,734 for approximately 17,000 square meters of land in Shanghai, on which the Group has built an information and technology center. The second one was RMB48,912,729 for approximately 19,500 square meters of land in Nantong, which was put into use in May, 2010. The third one was RMB9,747,800 for approximately 9,000 square meters of land in Chengdu, on which the Group plans to build an information and technology center of West China. According to land use right policy in the PRC, the Company has a 50-year use right over the land in Shanghai, a 40-year use right over the land in Nantong, and a 50-year use right over the land in Chengdu, which are used as the basis for amortization, respectively. Amortization expense for the years ended December 31, 2009, 2010 and 2011 was RMB2,588,213, RMB2,588,213 and RMB2,620,706, respectively. As of December 31, 2010 and 2011, the net book value was RMB106,333,805 and RMB113,460,899, respectively.

## 6. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software and its related accumulated depreciation and amortization as of December 31, 2010 and 2011 were as follows:

	<u>2010</u>	<u>2011</u>
	RMB	RMB
Buildings	509,340,453	535,764,434
Computer equipment	156,657,586	188,512,304
Website-related equipment	86,678,382	95,780,509
Furniture and fixtures	47,858,178	51,239,235
Software	26,389,221	39,694,337
Leasehold improvements	15,555,405	15,719,512
Construction in progress	—	1,764,477
Less: accumulated depreciation and amortization	<u>(188,800,245)</u>	<u>(244,570,938)</u>
Total net book value	<u>653,678,980</u>	<u>683,903,870</u>

From November, 2011, the Company started to build an information and technology center in Chengdu. All direct costs of the information and technology center were originally capitalized as construction in progress.

Depreciation expense for the years ended December 31, 2009, 2010 and 2011 was approximately RMB45,196,678, RMB62,929,541 and RMB78,809,867, respectively.

## 7. INVESTMENTS

Investment as of December 31, 2010 and 2011 were as follows:

	<u>2010</u>	<u>2011</u>
	RMB	RMB
Home Inns (equity method)	702,697,522	732,863,669
Hanting (available-for-sale)	792,390,941	492,658,379
Dining Secretary (available-for-sale)	66,000,000	65,414,773
Others	13,142,160	14,208,222
Total net book value	<u>1,574,230,623</u>	<u>1,305,145,043</u>

Home Inns & Hotels Management Inc. (“Home Inns”)

During the period from September 2008 to March 2009, the Company purchased ADSs of Home Inns from time to time through the open market, holding around 10% of the total outstanding shares of Home Inns as of March 31, 2009, and was accounted for as available for sale investment.

In May 2009, the Company entered into a definitive purchase agreement with Home Inns to acquire additional equity interest in Home Inns through a private placement of its ordinary shares for US\$50 million in cash. This transaction closed on May 21, 2009. As a result, the Company’s aggregate equity interest in Home Inns has increased to approximately 18% of the total outstanding shares of Home Inns (an aggregate of 14,400,765 shares). Given the level of investment and the common directors on Board of both the companies, the Company applied equity method of accounting since then. As a result, as required by ASC 323-10-35-33, the Company has retroactively applied the equity method of accounting to account for approximately 9% investment in Home Inns for the year ended December 31, 2008. The impact of applying equity method for approximately 9% investment of 2008 was immaterial to 2008 and 2009 earnings and as such was recorded in 2009.

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

The carrying amount and unrealized securities holding profit for investment as of December 31, 2010 and 2011 were as follows:

	<u>2010</u> RMB	<u>2011</u> RMB
<b>Investment cost</b>		
Balance at beginning of year	625,181,868	603,656,113
Foreign currency translation	(21,525,755)	(27,359,684)
Total investment cost	<u>603,656,113</u>	<u>576,296,429</u>
<b>Value booked under equity method</b>		
Share of profit on affiliated companies investments	105,543,246	167,175,531
Amortization of identifiable intangible assets, net of tax	(6,501,837)	(10,608,291)
Total booked value under equity method.	<u>99,041,409</u>	<u>156,567,240</u>
Net book value	<u><u>702,697,522</u></u>	<u><u>732,863,669</u></u>

In performing the purchase price allocation for acquisition of additional stake in May 2009, the Company considered, among other factors, analyses of historical financial performance and estimates of future performance of Home Inns' business. The Company makes estimates and judgments in determining the fair value of acquired assets and liabilities, based on independent appraisal reports and management's experience with similar assets and liabilities.

The purchase price of Home Inns was allocated as follows:

	<u>Fair Value</u> RMB
Fair value of proportional of share of 18% of net assets acquired	247,029,670
Identified intangible assets	304,332,935
Deferred tax liabilities arising from the acquisition	(76,083,234)
Goodwill	149,591,668
Total purchase price	<u><u>624,871,039</u></u>

Identified intangible assets acquired were as follows:

	<u>Fair value</u> RMB	<u>Useful lives</u>
Trademark	255,435,317	Indefinite
Franchised relationships	25,543,532	8 years
Customer list	1,459,630	5 years
Leasehold interest	21,894,456	11 years
	<u><u>304,332,935</u></u>	

The financial information of Home Inns as of and for the twelve months ended September 30, 2011 is as follows:

	<u>RMB</u> <u>'000</u>
Current assets	1,908,389
Non-current assets	6,013,060
Current liabilities	1,462,735
Non-current liabilities	2,635,492
Retain earnings	1,051,065
Total revenues	3,447,769
Income from operations	364,600
Net income	357,476

The closing price of Home Inns as of December 31, 2011 is US\$25.8 per ADS, the aggregate market value of the Company's investment in Home Inns is approximately RMB1.2 billion (US\$186 million).

China Lodging Group, Limited ("Hanting")

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

Given the level of investment, the Company applies ASC-320-25 to account for its investment in Hanting. The Company classified the investment as “available for sale” and measured the fair value at every period end (Note 8). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized.

The closing price of Hanting as of December 31, 2011 is US\$14.2 per ADS. As of December 31 2011, the Company recorded the investment in Hanting at a fair value of RMB493 million (approximately US\$78 million), with RMB68 million increase in fair value of the investment credited to other comprehensive income.

#### Dining Secretary China Limited (“Dining Secretary”)

In November 2010, the Company entered into agreements to acquire a minority stake of Dining Secretary’s Series B convertible preferred shares with total consideration of US\$10 million. The transaction was closed on November 24, 2010. Headquartered in Shanghai, Dining Secretary is a leading provider of free online and offline restaurant reservations for diners. Dining Secretary operates in many cities in China, serving diners and restaurants with a call center and the website [www.95171.cn](http://www.95171.cn).

The Company recorded this investment as an available-for-sale debt security. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 8). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. The increase in fair value of the investment in Dining Secretary of RMB2.5 million (approximately US\$0.4 million) was recorded to other comprehensive income as of December 31, 2011.

Other investments included cost method investment in BTG-Jianguo Hotels & Resorts Management Co., Ltd. (“BTG-Jianguo”) and equity investments in certain privately-held companies. The investment of BTG-Jianguo was closed in December 2010, with a total consideration of RMB10.2 million.

It has been concluded that the fair value of all investments above is greater than or equal to original cost, as a result, no impairments have been recorded for these investments.

## **8. FAIR VALUE MEASUREMENT**

In accordance with ASC 820-10, the Company measures available-for-sale investments at fair value. Available-for-sale investments classified within Level 1 are valued using quoted market prices that currently available on a securities exchange registered with the Securities and Exchange Commission (SEC). The available-for-sale investments classified within Level 3 is valued based on a model utilizing unobservable inputs which require significant management judgment and estimation.

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

	Fair Value Measurement at December 31, 2011 Using			Fair Value at December 31, 2011	
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)	RMB	US\$
	RMB	RMB	RMB		
Available-for-sale investments					
Hanting	492,658,379	—	—	492,658,379	78,275,533
Dining Secretary	—	—	65,414,773	65,414,773	10,393,361
Total	<u>492,658,379</u>	<u>—</u>	<u>65,414,773</u>	<u>558,073,152</u>	<u>88,668,894</u>

	Fair Value Measurement at December 31, 2010 Using			Fair Value at December 31, 2010	
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)	RMB	US\$
	RMB	RMB	RMB		
Available-for-sale investments					
Hanting	792,390,941	—	—	792,390,941	120,059,233
Dining Secretary	—	—	66,000,000	66,000,000	10,000,000
Total	<u>792,390,941</u>	<u>—</u>	<u>66,000,000</u>	<u>858,390,941</u>	<u>130,059,233</u>

There were no significant transfers between Level 1 and Level 2 investment during the year ended 2010 and 2011 and the roll forward of Level 3 investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2009	—
Investment in Series B Preferred Shares of Dining Secretary	66,670,000
Transfer in and/or out of Level 3	—
Effect of exchange rate change	(670,000)
Fair value of available-for-sale (Level 3) investment as at December 31, 2010	<u>66,000,000</u>
Investment in Series B Preferred Shares of Dining Secretary	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	(3,061,000)
The change in fair value of the investment in Dining Secretary	<u>2,475,773</u>
Fair value of available-for-sale (Level 3) investment as at December 31, 2011	<u>65,414,773</u>
Fair value of available-for-sale investment (Level 3) as at December 31, 2011 (US\$)	<u>10,393,361</u>

The Company determined the fair value of their investment holding in Dining Secretary by using an income approach concluding on the overall investee's equity value and allocating this value to the various classes of preferred and common shares by using an option-pricing method. The Company used independent appraisal report, based on estimates, judgments and information of other comparable public companies, to determine its fair value.

## 9. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2011 were as follows:

	<u>2010</u>	<u>2011</u>
	RMB	RMB
Balance at beginning of year	322,936,838	758,231,441
Acquisition of Wing On Travel	435,294,603	—
Acquisition of others	—	40,370,326
Balance at end of period.	<u>758,231,441</u>	<u>798,601,767</u>

In May 2010, the Company purchased 90% equity interest of Wing On Travel. Goodwill of RMB435 million was recognized from this acquisition (Note 2).

In 2011, the Company invested in a flight information service company and a local-based travel agency. Goodwill of RMB30 million and RMB10 million was recognized from these acquisitions, respectively.

Goodwill arose from the business combination completed in the year ended December 31, 2011 has been allocated to the single reporting unit of the Group. Goodwill represents the synergy effects of the business combination.

The Company performed goodwill impairment tests to determine if goodwill impairment is indicated in year 2010 and 2011, and the results of these tests indicated that the Company's goodwill was not impaired.

## 10. INTANGIBLE ASSETS

Intangible assets as of December 31, 2010 and 2011 were as follows:

	<u>2010</u>	<u>2011</u>
	RMB	RMB
<b>Intangible assets</b>		
Intangible assets to be amortized		
Non-compete agreements	11,479,610	11,479,610
Customer list	11,142,578	11,142,578
Supplier Relationship	—	9,700,000
Technology patent	9,240,000	9,240,000
Cross-border travel agency license	1,117,277	1,117,277
Intangible assets not subject to amortization		
Trade mark	267,741,235	272,715,235
Golf membership certificate	4,200,000	4,200,000
Others	5,478,271	8,706,321
	<u>310,398,971</u>	<u>328,301,021</u>
<b>Less: accumulated amortization</b>		
Intangible assets to be amortized		
Non-compete agreements	(4,591,844)	(6,887,766)
Customer list	(4,134,527)	(7,846,786)
Supplier Relationship	—	(485,000)
Technology patent	(3,696,000)	(5,544,000)
Cross-border travel agency license	(1,012,508)	(1,117,277)
Intangible assets not subject to amortization		
Trade mark	—	—
Golf membership certificate	—	—
Others	—	—
	<u>(13,434,879)</u>	<u>(21,880,829)</u>
<b>Net book value</b>		
Intangible assets to be amortized		
Non-compete agreements	6,887,766	4,591,844
Customer list	7,008,051	3,295,792
Supplier Relationship	—	9,215,000
Technology patent	5,544,000	3,696,000
Cross-border travel agency license	104,769	—
Intangible assets not subject to amortization		
Trade mark	267,741,235	272,715,235
Golf membership certificate	4,200,000	4,200,000
Others	5,478,271	8,706,321
	<u>296,964,092</u>	<u>306,420,192</u>

Amortization expense for the years ended December 31, 2009, 2010 and 2011 was approximately RMB5,547,422, RMB7,154,262 and RMB8,445,950 respectively.

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

	<u>Amortization</u> RMB
2012	7,564,270
2013	5,959,366
2014	970,000
2015	970,000
2016	970,000
	<u>16,433,636</u>

## 11. TAXATION

### *Cayman Islands*

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

### *Hong Kong*

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

### *Taiwan*

The Company's consolidated entities registered in the Taiwan are subject to Taiwan Enterprise Income Tax ("CIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Taiwan income tax laws. In the first half of the year 2010, announced by local authority, general enterprise income tax rate of Taiwan was reduced from 25% to 17%. The application tax rate for the Company's subsidiary in Taiwan is 17%, which was effective retroactively as of January 1, 2010.

### *China*

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

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

Additionally, the Company's subsidiary, Ctrip Travel Network obtained approval from relevant tax bureau for a 50% reduction upon statutory income tax rate for 2008 and 2009 as it obtained the status of "software company". The application tax rate of 2009, 2010 and 2011 for Ctrip Travel Network was 12.5%, 15% and 15%, respectively.

Shenzhen Ctrip is registered in the city of Shenzhen in China, which was a special economic zone entitled to a preferential tax rate of 15% before 2008. Under the current CIT law, Shenzhen Ctrip is entitled to a transitional tax rate which is gradually increased to 25% from 2008 to 2012. The applicable CIT rates from 2008 to 2012 are 18%, 20%, 22%, 24% and 25%, respectively. Starting from 2012, Shenzhen Ctrip would be subjected to the general CIT rate of 25%.

In 2010, in accordance with CIT Law, the applicable CIT rates are 25%, except for aforementioned four subsidiaries qualified for High New Tech Enterprises and Shenzhen Ctrip.

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

#### Composition of income tax expense

The current and deferred portion of income tax expense included in the consolidated statements of income for the years ended December 31, 2009, 2010 and 2011 were as follows:

	<u>2009</u> RMB	<u>2010</u> RMB	<u>2011</u> RMB
Current income tax expense	(146,001,559)	(223,144,541)	(265,574,760)
Deferred tax benefit	14,343,474	14,471,531	3,388,535
Adjustments to deferred tax assets/liabilities for enacted CIT rate change	—	3,656,049	—
Income tax expense	<u>(131,658,085)</u>	<u>(205,016,961)</u>	<u>(262,186,225)</u>

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

A reconciliation between the statutory CIT rate and the Group’s effective tax rate for the years ended December 31, 2009, 2010 and 2011 were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Statutory CIT rate	25%	25%	25%
Tax differential from statutory rate applicable to Subsidiaries in the PRC	(12)%	(11)%	(10)%
Non-deductible expenses incurred	6%	4%	6%
Others	(2)%	(1)%	(1)%
Effective CIT rate	<u>17%</u>	<u>17%</u>	<u>20%</u>

#### Significant components of deferred tax assets and liabilities:

	<u>2010</u> RMB	<u>2011</u> RMB
Deferred tax assets:		
Accrued liability for customer reward related programs	17,819,817	24,331,749
Loss carry forward	12,733,226	14,785,786
Accrued staff salary	16,884,937	13,043,243
Deferred tax liabilities	(390,000)	(390,000)
Others	2,821,430	2,797,209
Less: Allowance of deferred tax assets	<u>(12,733,226)</u>	<u>(14,785,786)</u>
Total deferred tax assets	<u>37,136,184</u>	<u>39,782,201</u>
Deferred tax liabilities, non-current:		
Recognition of intangible assets	<u>(45,382,710)</u>	<u>(48,308,692)</u>
Net deferred tax liabilities	<u>(8,246,526)</u>	<u>(8,526,491)</u>

As of December 31, 2010 and 2011, valuation allowance of RMB12.7 million and RMB14.8 million was provided for operating loss carry forwards related to certain subsidiary based on then assessment where it is more likely than not that such deferred tax assets will not be realized. If events were to occur in the future that would allow us to realize more of our deferred tax assets than the presently recorded net amount, an adjustment would be made to the deferred tax assets that would increase income for the period when those events occurred.

As of December 31, 2011, the Group had net operating tax loss carry forwards amounted to RMB59.1 million which will expire from 2014 to 2016 if not used.

The provisions for income taxes for the years ended December 31, 2009, 2010 and 2011 differ from the amounts computed by applying the CIT primarily due to preferential tax rate enjoyed by certain of the Company's subsidiaries and VIEs in the PRC.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RMB	RMB	RMB
Tax holiday effect	92,146,741	125,981,081	115,750,217
Basic net income per ADS effect	0.69	0.89	0.80
Diluted net income per ADS effect	0.65	0.84	0.76

## 12. EMPLOYEE BENEFITS

The Group's employee benefit primarily related to the full-time employees of the PRC subsidiaries and the VIEs, including medical care, welfare subsidies, unemployment insurance and pension benefits. The full-time employees in the PRC subsidiaries and the VIEs are required to accrue for these benefits based on certain percentages of the employees' salaries in accordance with the relevant PRC regulations and make contributions to the state-sponsored pension and medical plans out of the amounts accrued for medical and pension benefits. The PRC government is responsible for the medical benefits and ultimate pension liability to these employees. The total expenses recorded for such employee benefits amounted to RMB117,927,376, RMB158,641,293 and RMB234,725,030 for the year ended December 31, 2009, 2010 and 2011 respectively.

## 13. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009, 2010 and 2011 significant related party transactions were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RMB	RMB	RMB
Commissions from Home Inns	20,941,782	18,190,563	17,660,504
Commissions from Hanting	9,949,158	9,509,062	7,965,109
Purchase of tour package from Ananda Travel Service (Aust.) Pty Limited ("Ananda")	—	21,010,558	29,386,855
Printing expenses to Joyu Tourism Operating Group ("Joyu")	2,160,000	2,160,000	2,160,000
Advertisement purchase from Focus Media Holding Limited ("Focus Media")	425,172	299,925	—
Purchase of Shares of Hanting	—	461,239,269	—
Purchase of Shares of Home Inns	359,215,242	—	—

The Company's hotel supplier, Home Inns has two directors in common with the Company. Home Inns closed the acquisition of Motel 168 International Holdings Limited ("Motel 168") on September 30, 2011 and consolidated its financial results thereafter. Commissions from Home Inns presented above include the commissions from Motel 168 starting from October 1, 2011 to December 31, 2011. Another hotel supplier, Hanting, has a director in common with the Company and a director who is a family member of one of our officers. Home Inns and Hanting have entered into agreements with us, respectively, to provide hotel rooms for our customers. Commissions from Home Inns and Hanting for the years ended December 31, 2009, 2010 and 2011 are presented as above.

The Company's tour package supplier, Ananda is an association investment of Wing On Travel. Tour package purchase from Ananda for the year ended December 31, 2010 and 2011 is presented as above.

The Company entered into printing agreements with TripTX Travel Media Group, one of the subsidiaries of Joyu Tourism Operating Group. Joyu Tourism Operating Group has a director in common with the Company. Total printing expense to Joyu Tourism Operating Group for the year ended December 31, 2009, 2010 and 2011 are presented as above.

The Company's advertisement service supplier, Focus Media, has a director in common with the Company. The company entered into agreements with affiliates of Focus Media to purchase advertisement service. Advertisement purchase from Focus Media for the year ended December 31, 2009 and 2010 is presented as above. There is no advertisement purchase from Focus Media for the year ended December 31, 2011.

Up to December 31, 2011, the Company purchased 22,049,446 shares of Hanting at unit cost of US\$3.0625, representing approximately 9% of Hanting's total outstanding shares. Total cost of investment was RMB461 million (approximately US\$67.5 million) then.

Up to December 31, 2011, the Company purchased 7,200,383 ADS of Home Inns at average unit cost of approximately US\$13, representing approximately 16% of Home Inns' total share in aggregate. Total cost of investment was RMB625 million (approximately US\$92 million) then.

As of December 31, 2010 and 2011, significant balances with related parties were as follows:

	<u>2010</u> RMB	<u>2011</u> RMB
Due from related parties:		
Due from Home Inns	1,421,153	2,556,809
Due from Hanting	871,619	1,009,091
Others	923,856	1,428,660
	<u>3,216,628</u>	<u>4,994,560</u>
Due to related parties:		
Due to Ananda	11,616,375	8,585,648
Due to Joyu	—	360,000
Due to related parties of a VIE	249,910	249,910
	<u>11,866,285</u>	<u>9,195,558</u>

The amounts due from and due to related parties as of December 31, 2010 and 2011 primarily resulted from the transactions disclosed above and revenue received and expenses paid on behalf of each other. They are not collateralized, interest-free and have normal business payment terms.

#### 14. OTHER PAYABLES AND ACCRUALS

Components of other payables and accruals as of December 31, 2010 and 2011 were as follows:

	<u>2010</u> RMB	<u>2011</u> RMB
Accrued operating expenses	80,280,117	99,717,241
Accruals for property and equipment	120,067,060	32,195,338
Deposits received from suppliers and packaged-tour customers	8,991,812	14,936,752
Payable for acquisition	5,100,000	10,750,000
Due to employees for stock option proceeds received on their behalf	8,571,592	7,213,112
Others	12,651,166	11,977,422
Total	<u>235,661,747</u>	<u>176,789,865</u>

## 15. EARNINGS PER SHARE

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

	<u>2009</u> RMB	<u>2010</u> RMB	<u>2011</u> RMB
<b>Numerator:</b>			
Net income attributable to Ctrip's shareholders	658,973,622	1,048,069,740	1,076,414,897
<b>Denominator:</b>			
Denominator for basic earnings per ordinary share			
- weighted average ordinary shares outstanding	33,592,334	35,385,451	35,977,063
Dilutive effect of share options	1,658,001	2,191,605	2,053,911
Denominator for diluted earnings per ordinary share	<u>35,250,335</u>	<u>37,577,056</u>	<u>38,030,974</u>
Basic earnings per ordinary share	19.62	29.62	29.92
Diluted earnings per ordinary share	<u>18.69</u>	<u>27.89</u>	<u>28.30</u>
Basic earnings per ADS	<u>4.90</u>	<u>7.40</u>	<u>7.48</u>
Diluted earnings per ADS	<u>4.67</u>	<u>6.97</u>	<u>7.08</u>

For 2010 and 2011, the Group excluded 300,275 and 715,894 respectively, outstanding weighted average stock options and RSUs from the calculation of diluted earnings per common share because their effects were anti-dilutive.

## 16. COMMITMENTS AND CONTINGENCIES

### *Operating lease commitments*

The Company has entered into leasing arrangements relating to office premises that are classified as operating leases for the periods from 2012 to 2016. Future minimum lease payments for non-cancelable operating leases are as follows:

	<u>Office Premises</u> RMB
2012	37,053,994
2013	22,414,142
2014	12,777,506
2015	6,758,654
2016	1,420,596
Thereafter	—
	<u>80,424,892</u>

Rental expense amounted to RMB25,704,016, RMB45,744,187 and RMB66,208,557 for the years ended December 31, 2009, 2010 and 2011, respectively. Rental expense is charged to the statements of income and comprehensive income when incurred.

### *Capital commitments*

As of December 31, 2011, the Company had outstanding capital commitments totaling RMB335.3 million, which consisted of capital expenditures of property, equipment and software.

### *Guarantee*

In connection with our air ticketing business, the Group is required by the Civil Aviation Administration of China, International Air Transport Association, and local airline companies to pay deposits in order to or to provide other guarantees obtain blank air tickets. As of December 31, 2011, the amount under these guarantee arrangements was approximately RMB777 million.

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

### *Contingencies*

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

The Company is incorporated in Cayman Islands and is considered as a foreign entity under PRC laws. Due to the restrictions on foreign ownership of the air-ticketing, travel agency, advertising and internet content provision businesses, the Company conducts these businesses partly through various VIEs. These VIEs hold the licenses and approvals that are essential for the Company's business operations. In the opinion of the Company's PRC legal counsel, the current ownership structures and the contractual arrangements with these VIEs and their shareholders as well as the operations of these VIEs are in compliance with all existing PRC laws, rules and regulations. However, there may be changes and other developments in PRC laws and regulations. Accordingly, the Company cannot be assured that PRC government authorities will not take a view in the future contrary to the opinion of the Company's PRC legal counsel. If the current ownership structures of the Company and its contractual arrangements with VIEs were found to be in violation of any existing or future PRC laws or regulations, the Company may be required to restructure its ownership structure and operations in China to comply with changing and new Chinese laws and regulations.

### **17. SUBSEQUENT EVENTS**

In February, 2012, Ctrip acquired the remaining 10% of the issued share capital of Wing On Travel's travel service segment as operated through HKWOT (BVI) Limited, at a consideration of US\$9 million. Upon completion of this share purchase, Ctrip holds 100% of the share capital of Wing On Travel.

In March, 2012, Ctrip entered into a construction contract for the general contracting of the information and technology center in Chengdu. Total contract price for this construction amounted to RMB269 million. The project was expected to be completed by the end of August, 2013.

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Document</u>
1.1	Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 3.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003), as amended (amendment incorporated by reference to Exhibit 99.2 to our Report of Foreign Private Issuer on Form 6-K filed with the Commission on October 17, 2006)
2.1	Specimen American Depositary Receipt of Ctrip.com International, Ltd. (incorporated by reference to the prospectus dated January 25, 2010 as part of the Registration Statement on Form F-6 (file no. 333-145167) filed with the Securities and Exchange Commission on August 6, 2007)
2.2	Specimen Stock Certificate of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
2.3	Rights Agreement dated as of November 23, 2007 between Ctrip.com International, Ltd. and The Bank of New York, as Rights Agent (incorporated by reference to Exhibit 4.1 from our Report of Foreign Private Issuer on Form 6-K filed with the Securities and Exchange Commission on November 23, 2007)
2.4	Deposit Agreement dated as of December 8, 2003, as amended and restated as of August 11, 2006, and as further amended and restated as of December 3, 2007, among Ctrip.com International, Ltd., The Bank of New York as Depositary, and all Owners and Beneficial from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 2.4 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on April 29, 2008)
4.1	Form of Ctrip.com International, Ltd. Stock Option Plans (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (file no. 333-110455) and Exhibit 10.23 from our Registration Statement on Form F-2 (file no. 333-121080) filed with the Securities and Exchange Commission on November 13, 2003 and December 8, 2004, respectively)
4.2	Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.3	Translation of Form of Labor Contract for Employees of the Registrant's subsidiaries in China (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.4	Employment Agreement between the Registrant and James Jianzhang Liang (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.5	Employment and Confidentiality Agreement between the Registrant and Jane Jie Sun (incorporated by reference to Exhibit 4.5 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 26, 2006)
4.6	Employment Agreement, between the Registrant and Min Fan (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.7	Translation of Form of Consulting and Services Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.8	Translation of Form of Business Loan Agreement between Ctrip.com (Hong Kong) Limited and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.9	Translation of Form of Exclusive Option Agreement among Ctrip.com (Hong Kong) Limited, an Affiliated Chinese Entity of the Registrant and the Shareholder of the Entity, as currently in effect (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)

- 4.10 Translation of Form of Share Pledge Agreement among Ctrip Computer Technology (Shanghai) Co., Ltd. and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.10 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.11 Translation of Form of Operating Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.13 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.12 Translation of Lease Agreement dated May 1, 2003 between Ctrip Travel Information Technology (Shanghai) Co., Ltd. and Yu Zhong (Shanghai) Consulting Co., Ltd. (incorporated by reference to Exhibit 10.14 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.13 Translation of Form of Power of Attorney by a shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 10.15 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.14 Confidentiality and Non-Competition Agreement, effective as of September 10, 2003, between the Registrant and Qi Ji (incorporated by reference to Exhibit 10.16 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
- 4.15 Form of Director Agreement between the Registrant and its director (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 11, 2004)
- 4.16 Translation of Land Early Development Cost Compensation Agreement dated February 3, 2005 between Shanghai Hong Qiao Lin Kong Economic Development Park Co., Ltd. and Ctrip Travel Information Technology (Shanghai) Co., Ltd. (incorporated by reference to Exhibit 4.18 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 22, 2005)
- 4.17 Translation of Construction Agreement dated February 13, 2006 between Shanghai No. 1 Construction Co., Ltd. and Ctrip Travel Network Technology (Shanghai) Co., Ltd. (incorporated by reference to Exhibit 4.5 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 26, 2006)
- 4.18 Translation of State Land Use Right Assignment Contract dated February 25, 2008 between Nantong Land Resource Bureau and Ctrip Information Technology (Nantong) Co., Ltd. (incorporated by reference to Exhibit 4.21 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on April 29, 2008)
- 4.19 Ctrip.com International, Ltd. 2007 Share Incentive Plan, as amended and restated as of November 17, 2008 (incorporated by reference to Exhibit 4.21 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on May 26, 2009)
- 4.20 Summary of key terms of the form revolving credit facility agreement between each of Ctrip Computer Technology (Shanghai) Co., Ltd., Ctrip Travel Information Technology (Shanghai) Co., Ltd. and Ctrip Travel Network Technology (Shanghai) Co., Ltd. and our consolidated affiliated Chinese entity, Shanghai Huacheng Southwest Travel Agency Co., Ltd., and China Merchants Bank, Shanghai Branch (incorporated by reference to Exhibit 4.22 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on May 26, 2009)
- 4.21 Purchase Agreement dated May 7, 2009 between Ctrip.com International, Ltd. and Home Inns & Hotels Management Inc. (incorporated by reference to Exhibit 99.(B) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-82520) filed with the Securities and Exchange Commission on May 21, 2009)
- 4.22 Registration Rights Agreement dated May 7, 2009 between Ctrip.com International, Ltd. and Home Inns & Hotels Management Inc. (incorporated by reference to Exhibit 99.(C) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-82520) filed with the Securities and Exchange Commission on May 21, 2009)
- 4.23 Sale and Purchase Agreement dated February 3, 2010 among Wing On Travel (Holdings) Limited, C-Travel International Limited and Ctrip.com International, Ltd. (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-3 (file no. 333-165150) filed with the Securities and Exchange Commission on March 2, 2010)
- 4.24 Subscription Agreement dated March 12, 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited (incorporated by reference to Exhibit 99.(A) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)

4.25	Share Purchase Agreement dated March 12, 2010 between Ctrip.com International, Ltd. and the selling shareholders named therein (incorporated by reference to Exhibit 99.(B) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)
4.26	Investor and Registration Rights Agreement dated March 12, 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited (incorporated by reference to Exhibit 99.(C) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)
4.27*	Translation of Construction Contract as of February 2012 between Chengdu Ctrip Information Technology Co., Ltd. and Hunan No. 1 Engineering Co., Ltd.
4.28*	Translation of Construction Contract dated September 8, 2008 between Ctrip Information Technology (Nantong) Co., Ltd. and Shanghai No. 1 Construction Co., Ltd.
4.29*	Translation of Framework Agreement for Purchase and Sale of 3-9F Building A of Hongqiao International Technology Square dated December 9, 2011 among Shanghai Hongqiao Linkong Technology Development Co., Ltd., Ctrip Computer Technology (Shanghai) Co., Ltd. and Shanghai Huanji Digital Technology Co., Ltd.
4.30*	Translation of State-Owned Construction Land Use Right Transfer Contract dated September 30, 2011 between Chengdu Ctrip Information Technology Co., Ltd. and Chengdu Land Resources Bureau
8.1*	List of Significant Consolidated Entities of the Registrant
11.1*	Code of Business Conduct and Ethics of the Registrant, and amended and restated as of June 14, 2011
12.1*	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder
15.2*	Consent of Commerce & Finance Law Offices
15.3*	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed with this annual report on Form 20-F.

\*\* Furnished with this annual report on Form 20-F.

\*\*\* XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

*English summary*

Construction Contract

This contract (the “Contract”) is entered into by and between Chengdu Ctrip Information Technology Co., Ltd., as the owner (the “Owner”), and Hunan No. 1 Engineering Co., Ltd., as the contractor (the “Contractor”), as of February 2012, for the purpose of constructing office buildings for the Owner.

**General Provisions**

1. Project name: Information and Technology Buildings of Chengdu Ctrip Information Technology Co., Ltd. (total area: 50,817.38 square meters)  
Project venue: Tianfu No. 4 Street, High-tech District, Chengdu, Sichuan, People’s Republic of China
2. Project scope: The construction of the Information and Technology Buildings of Chengdu Ctrip Information Technology Co., Ltd., including the installation of facilities, as indicated in the blueprints.
3. Project duration:  
Commencement date: February 20, 2012 (subject to any change specified in the relevant construction commencement report)  
Completion date: August 30, 2013
4. Quality standard: The construction shall pass the first examination organized by the Owner upon its completion. The parties shall carry out the project so that it receives construction awards at the municipality-level and aim for similar awards at the provincial level.  
The construction site must qualify as a standardized construction site in Chengdu.
5. Contract price: RMB163,808,297.28.  
On top of the contract price, the budget for miscellaneous expenses is RMB14,320,550.02, contract price for certain items that the Owner is to subcontract to third parties is RMB82,300,000, and the materials to be provided by the Owner is estimated to be RMB8,541,353.7.  
The entire project is priced at RMB268,970,201.  
Upon completion of the project, the price may be adjusted up or down 1.03% in accordance with actual spending and in line with a set schedule.

## **Rights and Obligations**

### ***Representatives***

6. The Owner may appoint a representative (the "Engineer") to conduct the construction work onsite on its behalf. The Engineer may further appoint his representatives to carry out his responsibilities. Except the Engineer and his representatives, no personnel appointed by the Owner shall be entitled to issue any instruction to the Contractor. The Owner shall compensate the Contractor for any damages caused by carrying out such instructions.
7. The construction supervisor may also appoint a representative (the "Supervising Engineer") to supervise and deal with any disputes. The Owner or the Contractor may seek a solution pursuant to the provisions hereof if it disagrees with the Supervising Engineer.

### ***Responsibilities***

8. The Owner shall be responsible for, among other things, maintenance of the construction site, obtaining necessary permits and approvals and carrying out and paying for protective measures for the underground pipes and buildings nearby. Any of the above-mentioned work may be delegated to the Contractor to be conducted at the Owner's expense. The Owner shall compensate the Contractor for any damages resulting from the Owner's failure to perform any of the above-mentioned obligations.
9. The Contractor shall be responsible for, among other things, designing the blueprint and the supporting facilities of the building at the Owner's expense, providing yearly, quarterly and monthly plans and progress reports, complying with the onsite traffic, noise and environment protection and production safety regulations at the Owner's expense and clearing the construction site after the completion of the project.

## **Organization and Schedule of the Construction**

10. The Contractor shall submit the plan of organization and schedule of construction to the Engineer for his review, and carry out the construction work according to the agreed schedule. If the Contractor causes delays, it shall not be paid on top of the existing Contract price.
11. The construction shall commence on February 20, 2012 (subject to any change specified in the construction commencement report). The Contractor shall apply for, and the Engineer shall have the right to reject, a request for extension.
12. The Engineer may request the Contractor to suspend the construction. Subsequently, the Contractor may submit an application to restart. If the Engineer does not issue his instruction in time or respond to the Contractor within 48 hours, the Contractor may restart the construction.
13. The construction schedule shall be postponed, upon the Engineer's confirmation, in certain circumstances, including if the Owner does not provide the blueprint or satisfy the conditions of the construction commencement or pay for the advance payment or the progress payments, or if the Engineer does not provide necessary instructions or approvals, or if force majeure events occur.

14. The construction shall be completed on August 30, 2013 or a later date as agreed by the Engineer. If the construction cannot be completed on schedule due to the fault of the Contractor, the Contractor shall be responsible for breach under this Contract. If the Owner requires completion before schedule, the schedule (and other terms of this Contract) may be revised upon mutual agreement.

#### **Quality and Examination**

15. The construction shall satisfy the quality standard specified herein. Any quality-related dispute shall be submitted to a qualified quality examination organization upon mutual agreement at the expenses of the party at fault. If both parties are found to be at fault, each shall pay in proportion to their faults.

The Engineer shall have the right to inspect the construction quality during construction and require the Contractor to fix any quality problems at the Contractor's expense without causing delay in the schedule. The Engineer's inspections shall not impede the regular progress of the construction, or else any resulting quality problems or delays shall be paid for by the Owner. The Owner shall also pay for any damages or additional Contract prices caused by the Engineer's faulty instructions or other reasons not due to the Contractor.

#### **Production Safety**

16. The Contractor shall strictly comply with the applicable production safety regulations during the construction. The Owner shall be responsible for the safety education of its staff working on the construction site.
17. Any additional expenses or resulting damages incurred due to production safety problems shall be borne by the responsible party.

#### **Price and Payment**

18. An advance payment of RMB32,761,659.46 shall be made within 15 business days after this contract is signed. If the Owner fails to pay, the Contractor may stop construction work and the Owner shall then pay interest for the owed payment and pay for breach.
19. The Contractor shall report the completed portion of the construction to the Engineer according to an agreed schedule. The Engineer shall verify the progress.
20. The Owner shall make installment payments to the Contractor after verifying the Contractor's report. The paid advance payment shall be divided into eight equal installments and simultaneously deducted from the Owner's installment payments. Any adjusted payment shall be allocated to the installment payments on a pro rata basis.
21. In case the Owner fails to make one or more installment payments and the parties cannot agree upon such delay, the Contractor is entitled to suspend the construction, and the Owner shall pay for breach.

22. The Owner shall stop making payment to the Contractor when the paid portion amounts to 80% of the contract price. Once the construction is completed and accepted, the Owner shall increase the paid portion to 83% of the contract price within 45 business days after the construction completion procedure is completed. Once the construction is transferred to the Owner, the Owner shall increase the paid portion to 85% of the contract price. Once the construction settlement is completed, the Owner shall increase the paid portion to 95% of the contract price as agreed by the parties in the construction settlement. The remaining 5% of the contract price as agreed by the parties in the construction settlement shall be reserved by the Owner as a deposit. If there is no accident arising for which the Contractor undertakes a quality warranty, the Owner shall return to the Contractor the deposit within 45 business days upon the expiration of the defect liability period with RMB150,000 retained by the Owner as a waterproof structure quality warranty. The Owner shall return such waterproof structure quality warranty to the Contractor within 45 business days upon the expiration of the waterproof structure defect liability period.

#### **Provision of Materials and Equipment**

23. When the Owner provides materials and equipment, both parties shall prepare a checklist of the materials and equipment to be provided by the Owner. The Owner shall be responsible for any inconsistency between the checklist and the materials and equipment it delivers. The Contractor shall test the materials and equipment provided by the Owner before taking custody and using them in the construction.
24. When the Contractor provides materials and equipment, it shall be responsible for the quality and produce relevant quality certifications to the Owner. When the materials and equipment purchased by the Contractor fails to satisfy the standards specified herein, the Contractor shall remove such materials and equipment and re-purchase satisfactory materials and equipment at its own expense, and the construction schedule shall not be postponed. The Contractor shall test the materials and equipment as requested by the Engineer at its own expense before using them in the construction. The Owner has the right to specify the source/supplier of the materials and equipment.

#### **Alteration to the Construction**

25. If the Owner wishes to alter the original construction plan, the Owner shall be responsible for the adjustment to the contract price and the loss to the Contractor, and the construction schedule shall be postponed accordingly.
26. The Contractor shall not alter the original construction plan.
27. The Contractor shall submit to the Owner a report with a proposal of adjusted contract price within 28 days after the alteration to the construction plan. If the Contractor is the cause of the alteration to the construction plan, the Contractor shall not have the right to receive additional Contract price.

### **Completion, Acceptance and Settlement**

28. Upon completion of the construction, the Contractor shall provide the Owner with the construction completion report. The Owner shall organize the relevant authorities to examine the construction and revert to the Contractor with an opinion on correction, if any. The Contractor shall correct the construction accordingly and bear any expenses incurred by reason of its own actions.
29. Once the construction has been examined and accepted, the Engineer shall issue an acceptance certificate. The Owner shall not put the construction into use before it has been examined and accepted.
30. The Contractor shall submit to the Owner the construction completion settlement report after the Owner approves the construction completion report. The Owner shall verify the construction completion settlement report and make payment to the Contractor; failure to pay for no reason shall subject the Owner to interest payments and damages for default. 50% of the deposit shall be returned to the Contractor upon the settlement. The Contractor may redeem the remaining deposit with a guarantee.
31. Unless otherwise provided herein, there shall be a one-year defect liability period. During this period, the Contract shall complete any necessary amendments noted in the Engineer's acceptance certificate, and remedy any defect discovered.
32. The Contractor shall enter into a quality warranty agreement with the Owner pursuant to the applicable engineering quality warranty regulations before the construction completion and acceptance.

### **Default, Compensation and Disputes**

33. If either the Owner or the Contractor suffers any losses as a result of the other's actions, it may request the necessary compensation/delay in construction schedule after providing effective proof.
34. If any dispute arises from the performance of this contract, the Owner and the Contractor may seek a private settlement or invite a third party to mediate. If the parties fail to enter into a settlement agreement or are not willing to accept the results of the mediation, they may submit the dispute to a relevant court of competent jurisdiction.

### **Miscellaneous**

35. Subcontracting: The Contractor may subcontract part, but not all, of the construction with Owner's consent. The Contractor still remains responsible for any subcontracted portions and shall compensate the Owner for any damage caused by the negligence of subcontractors.
36. Force Majeure: In the event of force majeure, the Contractor shall notify the Engineer immediately and promptly act to minimize all possible loss. The Contractor shall suspend the construction if the Engineer considers such suspension necessary. The Contractor shall notify the Engineer of the damages and the estimated clearance and repair expenses, and such expenses shall be shared.

37. Insurance: The Owner shall pay for property insurance for the construction site and life insurance for its own personnel and any third party personnel on site. The Owner shall also pay for the property insurance of the materials and equipment delivered to the construction site. The Contractor shall pay for the accident insurance for its staff engaging in dangerous operations.
38. Guarantee of Performance: The parties shall provide each other with a guarantee to ensure the performance of this contract, in the form of letter of credit of RMB16,380,829.73.
39. Intellectual Property: Each of the Owner or the Contractor shall obtain consent for any patents or special techniques it wishes to use, respectively.
40. Termination and Expiration: This contract may be terminated upon agreement by both parties. If the Owner fails to make the payment to the Contractor and the construction has been thus suspended for over 56 days, the Contractor is entitled to terminate. If the Contractor subcontracts its whole portion, the Owner is entitled to terminate. When the purpose of this contract has been frustrated by (i) force majeure or (ii) a breach, the non-breaching party is entitled to terminate.
  - a. The settlement sections herein survive the termination of this contract.
  - b. This contract expires when all the contractual duties have been fulfilled and the Owner issues the performance certificate to the Contractor.

*English summary*

Construction Contract

This contract (the “Contract”) is entered into by and between Ctrip Information Technology (Nantong) Co., Ltd., as the owner (the “Owner”), and Shanghai No. 1 Construction Co., Ltd., as the contractor, as the contractor (the “Contractor”), as of September 8, 2008, for the purpose of constructing office buildings for the Owner.

**General Provisions**

1. Project name: Information and Technology Building of Ctrip Information Technology (Nantong) Co., Ltd.  
Project venue: Nantong, Jiangsu, People’s Republic of China
2. Project scope: The construction indicated in the tender documents and plans (excluding the foundation and piles); the decoration; the installation of facilities and the ancillary outdoor construction.
3. Project duration:  
Commencement date: September 10, 2008 (subject to any change specified in the relevant construction commencement order)  
Completion date: December 11, 2009
4. Quality standard: The construction shall pass the first examination organized by the Owner upon its completion. The parties shall carry out the project so that it receives construction awards at the municipality-level and aim for similar awards at the provincial level.
5. Contract price: RMB296,166,589.

**Rights and Obligations**

***Representatives***

6. The Owner may appoint a representative (the “Engineer”) to conduct the construction work onsite on its behalf. The Engineer may further appoint his representatives to carry out his responsibilities. Except the Engineer and his representatives, no personnel appointed by the Owner shall be entitled to issue any instruction to the Contractor. The Owner shall compensate the Contractor for any damages caused by carrying out such instructions
7. The construction supervisor may also appoint a representative (the “Supervising Engineer”) to supervise and deal with any disputes. The Owner or the Contractor may seek a solution pursuant to the provisions hereof if it disagrees with the Supervising Engineer.

### ***Responsibilities***

8. The Owner shall be responsible for, among other things, maintenance of the construction site, obtaining necessary permits and approvals and carrying out and paying for protective measures for the underground pipes and buildings nearby. Any of the above-mentioned work may be delegated to the Contractor to be conducted at the Owner's expense. The Owner shall compensate the Contractor for any damages resulting from the Owner's failure to perform any of the above-mentioned obligations.
9. The Contractor shall be responsible for, among other things, designing the blueprint and the supporting facilities of the building at the Owner's expense, providing yearly, quarterly and monthly plans and progress reports, complying with the onsite traffic, noise and environment protection and production safety regulations at the Owner's expense and clearing the construction site after the completion of the project.

### **Organization and Schedule of the Construction**

10. The Contractor shall submit the plan of organization and schedule of construction to the Engineer for his review, and carry out the construction work according to the agreed schedule. If the Contractor causes delays, it shall not be paid on top of the existing Contract price.
11. The construction shall commence on September 10, 2008 (subject to any change specified in the construction commencement order). The Contractor shall apply for, and the Engineer shall have the right to reject, a request for extension.
12. The Engineer may request the Contractor to suspend the construction. Subsequently, the Contractor may submit an application to restart. If the Engineer does not issue his instruction in time or respond to the Contractor within 48 hours, the Contractor may restart the construction.
13. The construction schedule shall be postponed upon the Engineer's confirmation, in certain circumstances, including if the Owner does not provide the blueprint or satisfy the conditions of the construction commencement or pay for the advance payment or the progress payments, or if the Engineer does not provide necessary instructions or approvals, or if force majeure events occur.
14. The construction shall be completed on December 11, 2009 or a later date as agreed by the Engineer. If the construction cannot be completed on schedule due to the fault of the Contractor, the Contractor shall be responsible for breach under this Contract. If the Owner requires completion before schedule, the schedule (and other terms of this Contract) may be revised upon mutual agreement.

### **Quality and Examination**

15. The construction shall satisfy the quality standard specified herein. Any quality-related dispute shall be submitted to a qualified quality examination organization upon mutual agreement at the expenses of the party at fault. If both parties are found to be at fault, each shall pay in proportion to their faults.

The Engineer shall have the right to inspect the construction quality during construction and require the Contractor to fix any quality problems at the Contractor's expense without causing delay in the schedule. The Engineer's inspections shall not impede the regular progress of the construction, or else any resulting quality problems or delays shall be paid for by the Owner. The Owner shall also pay for any damages or additional Contract prices caused by the Engineer's faulty instructions or other reasons not due to the Contractor.

### **Production Safety**

16. The Contractor shall strictly comply with the applicable production safety regulations during the construction. The Owner shall be responsible for the safety education of its staff working on the construction site.
17. Any additional expenses or resulting damages incurred due to production safety problems shall be borne by the responsible party.

### **Price and Payment**

18. An advance payment of RMB32,771,528 shall be made after the Contractor provides the Owner with a guarantee of the equal amount issued by a commercial bank designated by the Owner and a photocopy of the relevant engineering insurance policy. If the Owner fails to pay, the Contractor may stop construction work and the Owner shall then pay interest for the owed payment and pay for breach.
19. The Contractor shall report the completed portion of the construction to the Engineer according to an agreed schedule. The Engineer shall verify the progress.
20. The Owner shall make installment payments to the Contractor after verifying the Contractor's report. After Contractor completes 50% of the annual project target, 50% of each monthly installment payment shall be deducted from the advance payment. Any adjusted payment shall be allocated to the installment payments on a pro rata basis.
21. In case the Owner fails to make one or more installment payments and the parties cannot agree upon such delay, the Contractor is entitled to suspend the construction, and the Owner shall pay for breach.
22. The Owner shall stop making payment to the Contractor when the paid portion amounts to 80% of the contract price. Once the construction settlement is completed, the Owner shall increase the paid portion to 95% of the contract price as agreed by the parties in the construction settlement. The remaining 5% of the contract price as agreed by the parties in the construction settlement shall be reserved by the Owner as a deposit. If there is no accident arising for which the Contractor undertakes a quality warranty, the Owner shall return to the Contractor the deposit within 45 business days upon the expiration of the defect liability period with RMB200,000 retained by the Owner as a waterproof structure quality warranty. The Owner shall return such waterproof structure quality warranty to the Contractor within 45 business days upon the expiration of the waterproof structure defect liability period.

### **Provision of Materials and Equipment**

23. When the Owner provides materials and equipment, both parties shall prepare a checklist of the materials and equipment to be provided by the Owner. The Owner shall be responsible for any inconsistency between the checklist and the materials and equipment it delivers. The Contractor shall test the materials and equipment provided by the Owner before taking custody and using them in the construction.
24. When the Contractor provides materials and equipment, it shall be responsible for the quality and produce relevant quality certifications to the Owner. When the materials and equipment purchased by the Contractor fails to satisfy the standards specified herein, the Contractor shall remove such materials and equipment and re-purchase satisfactory materials and equipment at its own expense, and the construction schedule shall not be postponed. The Contractor shall test the materials and equipment as requested by the Engineer at its own expense before using them in the construction. The Owner has the right to specify the source/supplier of the materials and equipment.

### **Alteration to the Construction**

25. If the Owner wishes to alter the original construction plan, the Owner shall be responsible for the adjustment to the contract price and the loss to the Contractor, and the construction schedule shall be postponed accordingly. The Contractor shall submit to the Owner a report with a proposal of adjusted contract price within 28 days after the alteration to the construction plan.
26. The Contractor shall not alter the original construction plan. Nonetheless, it may propose alterations to the blueprints, construction organization and usage of materials and equipment on a reasonable basis. The Contractor shall not have the right to receive additional contract price arising from its unauthorized alternations to the construction plan. It shall share the expenses and profits arising from its reasonable proposals with the Owner.

### **Completion, Acceptance and Settlement**

27. Upon completion of the construction, the Contractor shall provide the Owner with the construction completion report. The Owner shall organize the relevant authorities to examine the construction and revert to the Contractor with an opinion on correction, if any. The Contractor shall correct the construction accordingly and bear any expenses incurred by reason of its own actions.
28. Once the construction has been examined and accepted, the Engineer shall issue an acceptance certificate. The Owner shall not put the construction into use before it has been examined and accepted.
29. The Contractor shall submit to the Owner the construction completion settlement report after the Owner approves the construction completion report. The Owner shall verify the construction completion settlement report and make payment to the Contractor; failure to pay for no reason shall subject the Owner to interest payments and damages for default. 50% of the deposit shall be returned to the Contractor upon the settlement. The Contractor may redeem the remaining deposit with a guarantee.

30. Unless otherwise provided herein, there shall be a one-year defect liability period. During this period, the Contract shall complete any necessary amendments noted in the Engineer's acceptance certificate, and remedy any defect discovered.
31. The Contractor shall enter into a quality warranty agreement with the Owner pursuant to the applicable engineering quality warranty regulations before the construction completion and acceptance.

#### **Default, Compensation and Disputes**

32. If either the Owner or the Contractor suffers any losses as a result of the other's actions, it may request the necessary compensation/delay in construction schedule after providing effective proof.
33. If any dispute arises from the performance of this contract, the Owner and the Contractor may seek a private settlement or invite a third party to mediate. If the parties fail to enter into a settlement agreement or are not willing to accept the results of the mediation, they may submit the dispute to a relevant court of competent jurisdiction.

#### **Miscellaneous**

34. Subcontracting: The Contractor may subcontract part, but not all, of the construction with Owner's consent. The Contractor still remains responsible for any subcontracted portions and shall compensate the Owner for any damage caused by the negligence of subcontractors.
35. Force Majeure: In the event of force majeure, the Contractor shall notify the Engineer immediately and promptly act to minimize all possible loss. The Contractor shall suspend the construction if the Engineer considers such suspension necessary. The Contractor shall notify the Engineer of the damages and the estimated clearance and repair expenses, and such expenses shall be shared.
36. Insurance: The Owner shall pay for property insurance for the construction site and life insurance for its own personnel and any third party personnel on site. The Owner shall also pay for the property insurance of the materials and equipment delivered to the construction site. The Contractor shall pay for the accident insurance for its staff engaging in dangerous operations.
37. Guarantee of Performance: The parties shall provide each other with a guarantee to ensure the performance of this contract, in the form of letter of credit of RMB20,000,000.
38. Intellectual Property: Each of the Owner or the Contractor shall obtain consent for any patents or special techniques it wishes to use, respectively.

39. Termination and Expiration: This contract may be terminated upon agreement by both parties. If the Owner fails to make the payment to the Contractor and the construction has been thus suspended for over 56 days, the Contractor is entitled to terminate. If the Contractor subcontracts its whole portion, the Owner is entitled to terminate. When the purpose of this contract has been frustrated by (i) force majeure or (ii) a breach, the non-breaching party is entitled to terminate.
- a. The settlement sections herein survive the termination of this contract.
  - b. This contract expires when all the contractual duties have been fulfilled and the Owner issues the performance certificate to the Contractor.

**Framework Agreement for Purchase and Sale of 3-9F Building A  
of Hongqiao International Technology Square**

This Framework Agreement dated this 9<sup>th</sup> day of December, 2011 is made by and between the following parties (the “Parties”) in Changning District, Shanghai:

Party A: Shanghai Hongqiao Linkong Technology Development Co., Ltd.

Legal Representative: Zhu Liping

Address: Room 2428, 789 West Tianshan Road, Changning District, Shanghai

Party B: Ctrip Computer Technology (Shanghai) Co., Ltd.

Legal Representative:

Address: 99 Fuquan Road, Changning District, Shanghai

Party C (Party A’s Guarantor): Shanghai Huanji Digital Technology Co., Ltd.

Legal Representative: Zhu Liping

Address: Room 2424, 789 West Tianshan Road, Changning District, Shanghai

Regarding Party A’s transfer and Party B’s acquisition of 3-9F Building A of Hongqiao International Technology Square (the address stated in the Real Estate Register is Building 1, No. 999 Jinzhong Road), through friendly negotiations, the Parties hereby agree to enter into this Framework Agreement as follows.

**Article 1 Land Use Right**

On 1 August 2006, Party A signed the Shanghai State-Owned Land Use Right Transfer Contract [HFDC (2006) CRHT No.36] with Housing and Land Administration Bureau of Changning District, Shanghai. On 12 November 2007, Party A signed the Shanghai State-Owned Land Use Right Transfer Contract (Supplementary) [HFDC (2007) CRHTBZ No.17] with Housing and Land Administration Bureau of Changning District, Shanghai and obtained a 50-year land use right to 4/7 Lot, 324 Community of Changning District, Shanghai (hereinafter referred to as the “**Land**”). Party A paid up the land use right transfer price as well as the compensation payable to Shanghai Hongqiao Linkong Economic Zone Development Co., Ltd. at the preliminary stage of the construction, and obtained the Shanghai Real Estate Title Certificate (for land) [HFDCZ (2007) No.021487] on 17 December 2007. The Shanghai Real Estate Title Certificate states as follows: location: 4/7 Lot, 324 Community of Xinjing Town; source of land use right: transfer; purpose: education and research; land area: 9,930 sqm; use term: from 1 August 2006 to 31 July 2056.

## **Article 2 Construction in Progress**

2.1 After obtaining all approval documents for the development and construction of the Land, Party A constructed a building of 9 floors on the Land with a total area of 30,886.29 sqm (subject to the final measuring result). The name of the building is Linkong Network Equipment Research and Development Building (hereinafter referred to as the “**Project**”). The Project has been completed and the Construction Project Completion Registration Certificate (registration no.: 2011CN0023) issued by Changning District Construction and Transportation Commission has been obtained.

2.2 Changning District Housing and Land Surveying and Measuring Center has issued a Housing and Land Title Investigation Report regarding the Project. The Housing and Land Title Investigation Report states the following: project location: 4/7 Lot, 324 Community of Xinjing Town; address: 999 Jinzhong Road; land purpose: education and research; re-measured land area: 9930 sqm; total floor area: 30886.29 sqm; above-ground building area: 24598.75 sqm; underground building area: 6287.54 sqm. For the purpose of the Housing and Land Title Investigation Report, no separate measurement of each floor and unit was conducted, and no apportionment of the public areas was made.

## **Article 3 Mortgage of Land Use Right and Construction in Progress**

On 26 September 2008, Party A signed a loan contract and a mortgage contract (no.: 16002084011102) with Shanghai Rural Commercial Bank Changning Branch (hereinafter referred to as “**SRCB Changning Branch**”), under which Party A borrowed a loan in amount of RMB60,000,000 from SRCB Changning Branch. The term of the loan is from 27 September 2008 to 19 March 2013. Party A mortgaged the land use right to 4/7 Lot, 324 Community of Xinjing Town and the construction in progress thereon to SRCB Changning Branch as the security for the loan. Party A has repaid RMB23,000,000. The remaining principal loan amount is RMB37,000,000, of which RMB16,000,000 is due.

## **Article 4 Housing Resettlement**

Under the Supplementary Agreement to the Housing Resettlement Agreement between Party A and Shanghai Fengli Electric Tools Plant Co., Ltd. (hereinafter referred to as “**Fengli Plant**”), Party A offered the entire 9<sup>th</sup> Floor of Building A of Hongqiao International Technology Square as resettlement housing for Fengli Plant. Party A has delivered such resettlement housing to Fengli Plant.

Under the Supplementary Agreement to the Housing Resettlement Agreement among Party A, Shanghai Far East Electronic Plating Co., Ltd. (hereinafter referred to as “**Far East Plant**”) and other Parties specified therein, under which Party A offered two adjacent units of an area no less than 564 sqm on the 5<sup>th</sup> Floor of Building A of Hongqiao International Technology Square as resettlement housing for Far East Plant. Party A has delivered unit 511 (520) and unit 512 (521) as resettlement housing to Far East Plant.

## **Article 5 Lawsuits and Judicial Seizures**

Building A of Hongqiao International Technology Square is involved in several lawsuits and judicial seizures. See Appendix 1 for details.

## **Article 6 Purchase and Sale of Real Estate**

6.1 Party A agrees to transfer and Party B agrees to acquire 3-9F, Building A of Hongqiao International Technology Square at 999 Jinzhong Road, Changning District, Shanghai (hereinafter referred to as the “**Subject Property**”). The floor area of the Subject Property is 17,155.724 sqm, subject to the final measuring by the measuring authority (if there is a title certificate, the floor area stated therein shall prevail).

6.2 Party A has not completed the preliminary real estate registration or obtained the Real Estate Title Certificate (for the whole building) for the Subject Property. Party A and Party B hereby conclude this Framework Agreement for the purchase and sale of the Subject Property. Both Parties will deal with the title transfer registration procedures according to the relevant regulations on real estate transfers after Party A obtains the Real Estate Title Certificate for the Subject Property.

6.3 Party B shall be responsible for negotiating the purchase price and other matters regarding the resettlement housing (hereinafter referred to as the “**Resettlement Housing**”) with Fengli Plant and Far East Plant. At the request of Party B, Party A shall assist in handling relevant formalities. The Parties acknowledge and agree that the price of the Resettlement Housing is significantly lower than the market price and (may be) lower than the purchase price agreed between Party B and Fengli Plant/Far East Plant. Since the difference between the resettlement price and the purchase price of the Resettlement Housing will not be enjoyed by Party A, Party A shall not bear the taxes and fees (if any) payable for such difference incurred in the course of assisting Party B in handling relevant formalities, including but not limited to business tax, income tax, land value increment tax, charges, costs and other regulatory fees. Party A is entitled to reject handling relevant formalities until receipt of such taxes and fees.

## **Article 7 Price**

The Parties agree that the purchase price of the Subject Property (excluding the Resettlement Housing) shall be RMB24,500 per sqm x total floor area of 14,578.724 sqm = RMB357,178,738 (Renminbi three hundred and fifty-seven million one hundred and seventy-eight thousand seven hundred and thirty-eight yuan), subject to the final measuring result of the Subject Property (excluding the Resettlement Housing) (if there is a title certificate, the floor area stated therein shall prevail).

## **Article 8 Payment Terms**

8.1 Upon execution of this Agreement, Party B shall pay RMB37,000,000 (Renminbi thirty-seven million yuan) to Party A as the 1<sup>st</sup> installment of the purchase price, of which RMB10,000,000 (Renminbi ten million yuan) shall be paid by Party B to Party A within 7 working days after signing this Agreement and the remaining RMB27,000,000 (Renminbi twenty-seven million yuan) shall be paid by Party B to the constructors, banks or other creditors directly or via the court as per Party A's written instruction after Party B confirms that Party A has reached written settlements or mediation agreements with the constructors of Building A of Hongqiao International Technology Square, suppliers, banks and other creditors, or has provided security to lift the judicial seizures over the Subject Property.

8.2 Within 7 working days after a floor-by-floor measuring report is issued for Building A of Hongqiao International Technology Square and the Parties agree that Building A of Hongqiao International Technology Square is available for sale on a floor-by-floor basis or relevant authority issues or signs a document approving sale of 3-9F Building A of Hongqiao International Technology Square on a floor-by-floor basis, Party B shall pay RMB30,000,000 (Renminbi thirty million yuan) to Party A as the 2<sup>nd</sup> installment of the purchase price.

8.3 Within 3 working days after the Real Estate Trading Center and other relevant authorities confirm that Building A of Hongqiao International Technology Square may be sold on a floor-by-floor basis and Party A obtains the Real Estate Title Certificate (for the whole building) for Building A of Hongqiao International Technology Square, the Parties shall sign the Shanghai House Purchase and Sale Contract and submit it to Changning District Real Estate Trading Center for registration of title transfer. Within 7 working days after Changning District Real Estate Trading Center accepts the registration application above (evidenced by the document receipt), Party B shall pay RMB218,742,990.4 (Renminbi two hundred and eighteen million seven hundred and forty-two thousand nine hundred and ninety yuan forty cents) to Party A as the 3<sup>rd</sup> installment of the purchase price.

8.4 Within 7 working days after obtaining the Real Estate Title Certificate (for each unit) for 3-9F Building A of Hongqiao International Technology Square, Party B shall pay the remaining 20% of the purchase price, *i.e.* RMB71,435,747.6 (Renminbi seventy-one million four hundred and thirty-five thousand seven hundred and forty-seven yuan sixty cents). If there is any difference between the area stated in the Real Estate Title Certificate and the estimated area specified in Article 7, the Parties shall settle the purchase price based on the area stated in the Real Estate Title Certificate at the time when Party B pays the remaining 20% of the purchase price.

8.5 If, by the time when Party B makes payments under Articles 8.2 and 8.3, Party A has not paid off its debts to the constructors of Building A of Hongqiao International Technology Square, suppliers, banks and other creditors, Party B shall make payments under paragraphs 8.2 and 8.3 in the manner of payment of the RMB27,000,000 specified in paragraph 8.1. Balance, if any, shall be paid by Party B directly to Party A.

## **Article 9 Delivery**

9.1 Party A agrees to deliver the Subject Property to Party B and sign a House Delivery Confirmation Letter with Party B within 3 working days after signing this Agreement and receiving the 1<sup>st</sup> installment in amount of RMB10,000,000. Party B may decorate and occupy the Subject Property as of the delivery date.

9.2 Party B shall be responsible for negotiating with Fengli Plant and Far East Plant regarding the delivery of the Resettlement Housing. Party A shall cooperate with Party B in this regard.

#### **Article 10 Decoration**

10.1 Party A agrees that Party B may decorate the Subject Property upon delivery. Party A undertakes to cooperate in settling issues relating to decoration and use of the Subject Property.

10.2 Party B shall comply with the decoration specifications set by Party A and shall not destroy or affect the structures, facades, public areas, utilities, etc. of the building in the course of decoration. Party B shall provide a written decoration plan to Party A for review before the commencement of the decoration. Party B shall pay certain fees to Party A and may start the decoration after Party A approves the work documents.

#### **Article 11 Floor-by-Floor Measuring**

11.1 Party A undertakes that the Subject Property is available for floor-by-floor transfer to Party B, and that after signing this Agreement, it will apply for floor-by-floor measuring with relevant authorities and obtain a permit for floor-by-floor transfer. Party B undertakes to cooperate with Party A to carry out such work.

11.2 If Party A fails to transfer the Subject Property to Party B on a floor-by-floor basis despite joint efforts of the Parties, Party A agrees that Party B may select to either rent 3-9F Building A of Hongqiao International Technology Square, or purchase the entire Building A of Hongqiao International Technology Square, or terminate this Agreement and redeliver the Subject Property to Party A. Under such circumstances, neither party shall be regarded as having breached any agreement, undertaking or warranty hereunder. If Party B selects to terminate this Agreement and redeliver the Subject Property to Party A in accordance with this Article 11.2, Party A shall, within 7 working days after receiving Party B's written notice, refund the purchase price paid by Party B. If Party A fails to make the refund within the time limit above, it shall pay default interest to Party B at two times of the concurrent bank loan interest rate; Party B may recover any and all decorations, office facilities, equipment, supplies, etc. used in connection with the Subject Property (excluding the Resettlement Housing. Party B shall be responsible for negotiating with Fengli Plant and Far East Plant regarding the Resettlement Housing, and Party A shall not be involved in this regard), and does not have the obligation to restore the Subject Property.

## **Article 12 Lease**

12.1 The Parties agree that if Party B selects to rent the Subject Property in accordance with Article 11.2, it shall send a written notice to Party A, and the Parties shall sign a lease contract within the time limit set out in such written notice. The rent of the Subject Property shall be RMB2.5 per sqm per day. The lease period shall be determined by Party B. The 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> installments of the purchase price as well as other amounts paid by Party B to Party A (excluding the fees paid by Party B for decoration) may be set off against the rent.

12.2 The Parties agree that the rent shall remain unchanged for five years. Party B shall pay the rent as scheduled in the lease contract. Upon expiry of the five-year lease term, the rent shall be raised in principle. The specific amount shall be negotiated by the Parties.

12.3 The Parties acknowledge that if Party B selects to rent the Subject Property in accordance with Article 11.2 and sign a formal lease contract with Party A in accordance with the lease terms agreed hereunder, Party B's right to use the Subject Property under this Agreement shall remain unchanged.

12.4 Party B shall be responsible for negotiating with Fengli Plant and Far East Plant regarding lease of the Resettlement Housing. Party A shall cooperate in this regard.

## **Article 13 Time Limit for Lifting the Seizures and Obtaining the Real Estate Title Certificate**

13.1 Party A undertakes to lift all judicial seizures existing as of the date of this Agreement over Building A of Hongqiao International Technology Square on or before 15 February 2012 (see Appendix 1 for details).

13.2 Party A undertakes to complete preliminary registration for Building A of Hongqiao International Technology Square and obtain the Real Estate Title Certificate (for the whole building) for Building A of Hongqiao International Technology Square on or before 31 October 2012.

## **Article 14 Execution of Purchase and Sale Contract**

14.1 The Parties acknowledge that the contents of the Shanghai House Purchase and Sale Contract to be signed upon satisfaction of relevant conditions shall be compliant with this Agreement, except for adjustment to the total purchase price based on the floor-by-floor measuring result. Party B's right to use the Subject Property under this Agreement shall remain unchanged. Neither Party may refuse to sign the Shanghai House Purchase and Sale Contract for reason that the Parties fail to agree on the terms and conditions thereof.

14.2 The Parties shall sign the Shanghai House Purchase and Sale Contract within 3 working days after (i) Party A completes the preliminary registration for the Subject Property and obtains the Real Estate Title Certificate (for the whole building) for Building A of Hongqiao International Technology Square, and (ii) Changning District Real Estate Trading Center approves the floor-by-floor sale of 3-9F Building A of Hongqiao International Technology Square. Party A shall assist Party B in handling the title transfer registration for the Subject Property, and apply for a Real Estate Title Certificate (for each unit) stating that Party B is the owner of the Subject Property.

## **Article 15 Property Management**

15.1 Party A agrees that Party B shall be responsible for management of the interior part of the Subject Property (*i.e.*, the private areas of 3-9F Building A of Hongqiao International Technology Square). Since the 1-2F of Building A of Hongqiao International Technology Square are still occupied by other owners/users and certain equipment and facilities are not severable, all public areas in the building shall be jointly owned by all the owners and jointly used by all the owners/users. To facilitate management of the whole building and to provide better service to all the owners/users, Party B may manage the cleaning and security services in the public areas of 3-9F of Building A. However, management and maintenance of equipment and facilities as well as other property management services shall still be provided by the property management company retained by Party A. Party A agrees that if any public equipment in the Subject Property is severable and solely used by Party B, the ownership of that equipment shall be enjoyed by Party B.

15.2 Building A of Hongqiao International Technology Square shall be managed by the property management company retained by Party A, except for the security and cleaning services for the private and public areas of the Subject Property (3-9F). Party B shall share the property management fee in proportion to the floor area occupied by it, provided that the property management fee for the security and cleaning services of the Subject Property (3-9F) shall be deducted. The specific scope and fee of property management shall be determined by the property management company retained by Party A in accordance with the foregoing provisions. Party B shall sign a property management contract with the property management company. Party A shall cooperate in this regard.

15.3 Party A warrants that the property management fee for Building A of Hongqiao International Technology Square will not exceed the level of standard property management fees for similar properties in Changning District.

15.4 Party A intends to add an exhaust pipe in the public areas of Building A of Hongqiao International Technology Square (inside the core tube of Building A), which would connect the 1<sup>st</sup> floor to the roof. Party B agrees to cooperate in construction of such work, provided that the work shall not affect Party B's normal use of the Subject Property.

## **Article 16 Renaming and Advertising**

16.1 Party A agrees that Party B has the right to rename Building A of Hongqiao International Technology Square. Party A shall assist Party B to complete relevant procedures for renaming the building at Party B's cost. Party A shall not grant other buyers with the right to rename Building A of Hongqiao International Technology Square.

16.2 Party A warrants that upon approval, Party B may set up advertising at proper locations inside Hongqiao International Technology Square (except for the 1<sup>st</sup> and 2<sup>nd</sup> floors. In case Party B intends to set up any indicative signs in the lobby without affecting the overall environment of the lobby and other owners/users, Party A shall assist in this regard). Party A undertakes to take all efforts to assist Party B to obtain advertising spaces and to assist Party B to handle the approval formalities at Party B's cost.

## **Article 17 Warranty**

17.1 Party A warrants that information about the land use right of Building A of Hongqiao International Technology Square as well as the relevant contracts and materials for development of the building made available to Party B prior to execution of this Agreement are authentic and free of concealment or deception.

17.2 Party A warrants that as of the date of this Agreement, Building A of Hongqiao International Technology Square is not subject to any lawsuits or judicial seizures, except for those listed in the appendix hereto. Party A warrants that if Building A of Hongqiao International Technology Square becomes subject to any lawsuit, judicial seizure or administrative seizure after the date of this Agreement, it will notify Party B promptly and submit relevant legal documents to Party B for keeping after making a photocopy thereof.

17.3 Party A warrants that as of the date of this Agreement, Building A of Hongqiao International Technology Square is not subject to any mortgage or other encumbrances except for those set out in Article 3. Party A warrants that it will not establish any encumbrance on Building A of Hongqiao International Technology Square after the date of this Agreement, unless otherwise agreed by Party B in writing in advance.

## **Article 18 Guarantee**

Party C is willing to act as Party A's Guarantor and be jointly and severally liable for all the obligations of Party A under this Agreement.

## **Article 19 Taxes**

The Parties shall be liable for their respective taxes arising from the purchase and sale of the Subject Property hereunder in accordance with law, unless otherwise agreed in this Agreement.

## **Article 20 Breach of Contract**

### **20.1 Breach of contract by Party A**

20.1.1 In case Party A violates this Agreement by failing to promptly deliver the Subject Property, or in case Party A violates Article 13.1 by failing to promptly lift the judicial seizures over Building A of Hongqiao International Technology Square, or in case Party A violates Article 13.2 by failing to promptly obtain the Real Estate Title Certificate (for the whole building) for Building A of Hongqiao International Technology Square, or in case Party A violates Article 14.2 by failing to promptly sign the Shanghai House Purchase and Sale Contract with Party B, for each day of delay, Party A shall pay 0.05% of the paid purchase price as liquidated damages to Party B. If the delay lasts for over 60 days, Party B may terminate this Agreement by giving a written notice to Party A. Party A shall refund the purchase price paid by Party B and indemnify the decoration costs incurred by Party B within the time limit prescribed in the written notice. In addition, Party A shall pay RMB10,000,000 as liquidated damages to Party B.

20.1.2 In case Party A violates this Agreement by concealing any information (information made available by Party A to Party B has been included in the terms of this Agreement), or in case Party A refuses to transfer Building A of Hongqiao International Technology Square to Party B, or in case Party A refuses to sign the Shanghai House Purchase and Sale Contract with Party B, or in case Party A refuses to assist Party B to make title transfer registration for the Subject Property (unless Changning District Real Estate Trading Center rejects the transfer of Building A of Hongqiao International Technology Square from Party A to Party B, *i.e.*, refuses to accept the application for title transfer registration for 3-9F Building A of Hongqiao International Technology Square), making it impossible or difficult for Party B to obtain the Real Estate Title Certificate (for each unit) of the Subject Property, Party B may select to require Party A to continue performance of this Agreement or terminate this Agreement by giving a written notice to Party A. If Party B selects to terminate this Agreement, Party A shall refund the purchase price paid by Party B and indemnify the decoration costs incurred by Party B within the time limit prescribed in the written notice. In addition, Party A shall pay RMB30,000,000 as liquidated damages to Party B. If Party B selects to require Party A to continue performance of this Agreement, Party A shall be liable for any and all losses caused to Party B due to its delay in discharging the obligations above.

20.1.3 If any loss is caused to the non-defaulting Party due to the defaulting Party's breach of contract, the defaulting Party shall be liable for the loss actually suffered by the non-defaulting Party.

## 20.2 Breach of contract by Party B

20.2.1 In case Party B violates this Agreement by failing to promptly pay any installment of the purchase price or failing to promptly repay Party A's debts, for each day of delay, Party B shall pay 0.05% of the outstanding purchase price as liquidated damages to Party A. If the delay lasts for over 60 days, Party A may terminate this Agreement by giving a written notice to Party B, and Party B shall pay RMB10,000,000 as liquidated damages to Party A. If there is any balance after deducting such liquidated damages from the purchase price paid by Party B, the balance shall be refunded to Party B upon Party B's redelivery of the Subject Property.

20.2.2 In case Party B violates this Agreement by refusing to purchase the Subject Property from Party A or refusing to sign the Shanghai House Purchase and Sale Contract with Party A, Party A may select to require Party B to continue performance of this Agreement or terminate this Agreement by giving a written notice to Party B. If Party A selects to terminate this Agreement, Party B shall pay RMB30,000,000 as liquidated damages to Party A. If there is any balance after deducting such liquidated damages from the purchase price paid by Party B, the balance shall be refunded to Party B upon Party B's redelivery of the Subject Property. If Party A selects to require Party B to continue performance of this Agreement, Party B shall be liable for any and all losses caused to Party A due to its delay in discharging the obligations above.

## **Article 21 Miscellaneous**

21.1 The Parties have obtained internal approvals according to their respective articles of association and have been authorized to sign this Agreement. This Agreement will not be held invalid due to any internal approval in violation with articles of association or other relevant regulations.

### **21.2 Confidentiality Obligations**

21.2.1 The Parties hereby agree that unless otherwise required by law, none of the Parties may disclose any content of this Agreement (including the information included in this Agreement or known in the course of execution and performance of this Agreement, such as information about lawsuits of Party A) to any third party. The Party breaching the confidentiality obligations under this Article 21 shall be liable for all direct and indirect losses caused to the non-defaulting Party, including the costs incurred by the non-defaulting Parties to seek for remedies (at the discretion of the non-defaulting Party).

21.2.2 "Third party" in the preceding paragraph shall exclude consultants and other personnel retained by the Parties for execution and performance of this Agreement. However, the Parties shall procure that the consultants will comply with the confidentiality obligations under this Article 21. Violation of confidentiality obligations by any consultant will be deemed as violation of confidentiality obligations by the Party retaining such consultant.

21.3 Party B acknowledges and agrees that after becoming the owner of 3-9F Building A of Hongqiao International Technology Square, it shall share the property management fee for public areas in proportion to the floor area occupied by it based on the floor-by-floor measuring report, and shall pay maintenance costs after expiry of the statutory warranty period.

21.4 All disputes arising from performance of this Agreement shall first be settled by the Parties through friendly consultation. If the consultation fails, the dispute shall be rendered before the court at the place where the Subject Property is located.

21.5 This Agreement shall take effect after the Parties affix a seal hereunto.

21.6 This Agreement shall be executed in five originals, with Party A and Party B holding 2 originals respectively and Party C holding 1 original.

21.7 The Appendix hereto shall form an integral part of this Agreement. The Parties may amend the appendix based on the actual circumstances during the performance of this Agreement.

Party A: Shanghai Hongqiao Linkong Technology Development Co., Ltd. (Seal)

Legal representative: Zhu Liping (Seal)

Party B: Ctrip Computer Technology (Shanghai) Co., Ltd. (Seal)

Legal representative:

Party C : Shanghai Huanji Digital Technology Co., Ltd. (Seal)

Legal representative: Zhu Liping (Seal)

9 December 2011

**State-Owned Construction Land Use Right Transfer Contract**

Prepared by

Ministry of Land and Resources of the PRC

State Administration for Industry and Commerce of the PRC

Page 1 of 10

**State-Owned Construction Land Use Right Transfer Contract**

Parties to this Contract:

Transferor: Chengdu Land Resources Bureau  
Mailing Address: 8F Building A, 18 North Section of Tianfu Avenue  
Postal Code: 610041  
Tel: 85339263  
Fax: 85186283  
Bank: Finance Bureau of Chengdu High-tech Industrial Development Zone  
Account Number: 51001416145051500732

Transferee: Chengdu Ctrip Information Technology Co., Ltd.

Mailing Address: \_\_\_\_\_ /  
Postal Code: \_\_\_\_\_ /  
Tel: \_\_\_\_\_ /  
Fax: \_\_\_\_\_ /  
Bank: \_\_\_\_\_ /  
Account Number: \_\_\_\_\_ /

## Chapter I General Provisions

**Article 1** This Contract is entered into by and between the above Parties in good faith based on principles of equality, free will, reciprocity and honesty in accordance with the Property Law, the Contract Law, the Land Management Law, the Urban Real Estate Management Law and other relevant administrative regulations and land supply policies.

**Article 2** The People's Republic of China shall have ownership of the land to be transferred. The Transferor is authorized by law to transfer the use right to the subject land. However, the underground resources and buried properties shall not be transferred together with the subject land.

**Article 3** During the transfer period, the Transferee may possess, use, benefit from and dispose of the subject land and may construct buildings, structures and ancillary facilities on the subject land according to the law.

## Chapter II Delivery of Land and Payment of Transfer Price

**Article 4** The subject land has a parcel number of 5101 GX (2011) No.19 and a total area of nine thousand and seven point zero three square meters (9,007.03 sqm), of which an area of nine thousand and seven point zero three square meters (9,007.03 sqm) is to be transferred hereunder.

The subject land is located at Dayuan Goup, South Part of Gaoxin District, previously known as Group 1 Qinjian Village Guixi Street and Group 11 Minle Village.

**Article 5** The purpose of the subject land is research and design.

**Article 6** The Transferor agrees to deliver the subject land to the Transferee within 10 days after completing resettlement of the residents. The Transferor agrees that the subject land shall meet the conditions set out in paragraph (II) of the following at the time of delivery:

(I) Site preparation: \_\_\_\_\_ / \_\_\_\_\_

Surrounding infrastructure: \_\_\_\_\_ / \_\_\_\_\_

(II) Status quo of land: \_\_\_\_\_ / \_\_\_\_\_

**Article 7** The transfer period of the land use right under this Contract is 50 years, starting from the date of delivery of the subject land prescribed in Article 6. In case the subject land was allocated (leased) before the date of this Contract, the transfer period shall start from the date of this Contract.

**Article 8** The transfer price of the land use right under this Contract is Renminbi nine million four hundred and fifty-seven thousand three hundred and eighty-one yuan fifty cents (RMB9,457,381.5) or Renminbi one thousand and fifty yuan (and RMB1,050) per square meter.



**Article 13** The Transferee agrees that construction of the project on the subject land shall commence on or before 10 July 2011 and complete on or before 15 October 2013.

In case the Transferee is unable to commence the work as scheduled, it shall apply for postponement with the Transferor 30 days in advance. Upon consent of the Transferor, the completion date may be postponed accordingly, provided that the commencement date shall not be delayed for more than one year.

**Article 14** In constructing the project on the subject land, the Transferee shall comply with relevant regulations regarding connection of water lines, gas lines, sewage lines and other facilities of the project to the main lines and transformer substations outside the land.

The Transferee agrees that pipes and pipelines laid by the government for public utilities may pass through or pass over the subject land, provided that if the function of the subject land is affected thereby, the government or the public utilities construction and operation entities shall provide reasonable compensation.

**Article 15** The Transferee shall use the subject land for the agreed purpose with the agreed FAR, and shall not make unauthorized changes. During the transfer period, in case the Transferee intends to change the purpose of the land, the Parties agree to apply paragraph (I) of the following:

(I) The Transferor shall recover the land use right with compensation;

(II) The Parties shall go through examination and approval procedures for change of purpose of the land, and enter into an agreement to amend the State-Owned Construction Land Use Right Transfer Contract or resign the State-Owned Construction Land Use Right Transfer Contract. The Transferee shall make up the difference between the original transfer price and the assessed market price of the land for the new purpose, and apply for registration of such change.

**Article 16** During the use term of the subject land, the government may modify the planning of the land without affecting the existing buildings on the land. However, newly constructed buildings, structures and ancillary facilities as well as alterations, renovations and reconstructions thereof during the use term shall apply the then effective planning. If renewal is applied upon expiration of the initial use term, such renewal shall also apply the then effective planning.

**Article 17** The Transferor shall not recover the use right to the subject land from the Transferee before expiry of the use term agreed hereunder. Under exceptional circumstances, if the Transferor needs to recover the use right to the subject land in advance for social and public interests, the Transferor shall make an application for recovery in accordance with the procedures set by law. In addition, the Transferor shall compensate for verified direct losses sustained by the user as well as the assessed market price of the buildings, structures and accessory facilities on the subject land based on their value and remaining life at the time of recovery.

#### **Chapter IV Transfer, Lease and Mortgage of State-Owned Construction Land Use Right**

**Article 18** After paying off the transfer price in accordance with the terms of this Contract and obtaining the state-owned land use right certificate, the Transferee may transfer, lease and mortgage all or part of the state-owned construction land use right acquired hereunder. See the “Supplemental Agreement” for details of such transfer.

Transfer of the land use right for the first time shall comply with the conditions specified in paragraph (I) of the following:

(I) The land has been developed in accordance with the terms of this Contract and 25% or more of the total investment has been completed;

(II) The land has been developed in accordance with the terms of this Contract and has met conditions for industrial purpose or other construction purposes.

**Article 19** The contract for transfer, lease and mortgage of the state-owned construction land use right shall not violate applicable laws, regulations and the terms of this Contract.

**Article 20** In case all or part of the state-owned construction land use right is transferred, the rights and obligations under this Contract and the land registration documents shall be transferred as well. The term of the transferred land use right shall be the term agreed hereunder minus the term that already elapsed.

In case all or part of the state-owned construction land use right is leased, the rights and obligations under this Contract and the land registration documents shall still be born by the Transferee.

**Article 21** In case the state-owned construction land use right is transferred or mortgaged, the parties to such transfer or mortgage shall apply for registration of the change with the land and resources management authorities by presenting this Contract, the transfer contract or mortgage contract, and the state-owned land use right certificate.

#### **Chapter V Expiration of Term**

**Article 22** Upon expiry of the use term agreed hereunder, in case the user intends to continue use of the subject land, it shall apply for renewal with the Transferor at least one year prior to the expiry date. The Transferor shall approve such application unless the subject land needs to be recovered for social and public interests.

If the subject land is used as residential construction land, the use term shall be automatically renewed upon expiry.

After obtaining the Transferor’s consent to renewal, the user shall complete the corresponding transfer or lease formalities, resign a transfer contract or lease contract for compensated use of the land, and pay the transfer price or rent.

**Article 23** Upon expiry of the use term agreed hereunder, in case the user applies for renewal yet such application is rejected by the Transferor since the subject land needs to be recovered for social and public interests, the user shall return the state-owned land use right certificate and cancel registration of the land use right according to relevant provisions. The Transferor shall then recover the land without compensation. The Transferor and the user agree that the buildings, structures and ancillary facilities on the land shall be treated in accordance with paragraph (I) of the following:

(I) The Transferor shall recover the buildings, structures and ancillary facilities, and give appropriate compensation to the user at the residual value of the buildings, structures and ancillary facilities at the time of recovery;

(II) The Transferor shall recover the buildings, structures and ancillary facilities without compensation.

**Article 24** Upon expiry of the use term agreed hereunder, in case the user fails to apply for renewal, the Transferor may recover the land together with the buildings, structures and ancillary facilities on the land without compensation. The user shall return the state-owned land use right certificate and cancel the registration of the state-owned construction land use right. The user shall maintain the normal functions of the buildings, structures and ancillary facilities and shall not destroy the same on purpose. The Transferor may also require the user to move or remove the buildings, structures and ancillary facilities on the land and level the land.

#### **Chapter VI Force Majeure**

**Article 25** The Party prevented from performing or fully performing this Contract due to force majeure may be exempted from liability for non-performance, provided that it shall take all necessary remedial measures to reduce losses caused by the force majeure event. In case the force majeure event occurs during either Party's delay in performing this Contract, that Party shall not be exempted from liability for non-performance.

**Article 26** The Party affected by force majeure shall notify the other Party in writing of the situation within 7 days by means of letter, telegram or fax, and shall submit a report and certificate explaining its failure to perform or fully perform this Contract or delay in performing this Contract within 15 days upon occurrence of the force majeure event.

#### **Chapter VII Liability for Breach of Contract**

**Article 27** The Transferee shall make timely payment of the transfer price in accordance with the terms of this Contract. In case the Transferee fails to make prompt payment of the transfer price, for each day of delay, it shall pay 1‰ of the outstanding amount as liquidated damages to the Transferor. If the delay lasts for over 60 days yet the Transferee still fails to make payment despite the Transferor's notice, the Transferor may terminate this Contract and claim compensation from the Transferee. The Transferee shall not require return of the deposit from the Transferor.

**Article 28** In case the Transferee stops investment in and construction of the project for its own fault, it may apply for termination of this Contract and return of land with the Transferor. Upon approval of the government granting the transfer, the Transferor may refund all or part of the transfer price (without interest) except for the deposit and recover the subject land. The Transferor may either recover the buildings, structures and ancillary facilities on the land without compensation or require the Transferee to remove the buildings, structures and ancillary facilities and level the land. However, if the Transferor intends to continue to use the buildings, structures and ancillary facilities, it shall pay proper compensation to the Transferee:

(I) In case the Transferee applies for return of the land with the Transferor 60 days upon expiry of a one-year period following the work commencement date agreed hereunder, the Transferor shall refund the transfer price (without interest) paid by the Transferee after deducting the deposit;

(II) In case the Transferee applies for return of the land with the Transferor 60 days upon expiry of a two-year period following the work commencement date agreed hereunder, the Transferor shall refund the transfer price (without interest) paid by the Transferee after deducting the deposit and the idle land fee.

**Article 29** In case the Transferee leaves the land idle for more than one year but less than two years, it shall pay idle land fee according to the law. In case the Transferee leaves the land idle for more than two years without commencing any construction work, the Transferor may recover the land use right without compensation.

**Article 30** In case the Transferee fails to commence the construction work on the date agreed hereunder or a later date otherwise to be agreed upon, for each day of delay, it shall pay 1% of the total transfer price as liquidated damages to the Transferor. The Transferor may also require the Transferee to continue performance of this Contract.

In case the Transferee fails to complete the construction work on the date agreed hereunder or a later date otherwise to be agreed upon, for each day of delay, it shall pay 1% of the total transfer price as liquidated damages to the Transferor.

**Article 31** In case the investment in fixed assets, or investment per square meter, or total investment does not meet the standards agreed hereunder, the Transferor may require the Transferee to pay liquidated damages in proportion to the part falling short, and may also require the Transferee to continue performance of this Contract.

**Article 32** In case the FAR, building density or any other indicator does not meet the minimum level agreed hereunder, the Transferor may require the Transferee to pay liquidated damages in proportion to the part falling short, and may also require the Transferee to continue performance of this Contract. In case the FAR, building density or any other indicator exceeds the maximum level agreed hereunder, the Transferor may tack back the part exceeding the maximum level and require the Transferee to pay liquidated damages in proportion to the exceeding part.

**Article 33** In case the green land ratio of the industrial construction project, or the size or proportion of the land covered by internal administrative office and living spaces, or any other indicator exceeds the standards agreed hereunder, the Transferee shall pay 200% of the transfer price to the Transferor as liquidated damages, and remove the exceeding part of the green lands, buildings and facilities.

**Article 34** In case the Transferee pays the transfer price in accordance with the terms of this Contract, the Transferor shall delivered the subject land to the Transferee in the manner and at the time agreed hereunder. If the Transferor fails to promptly deliver the subject land, resulting in delay in occupancy of the land by the Transferee, for each day of delay, the Transferor shall pay 1% of the transfer price as liquidated damages to the Transferee, and the land use term shall start from the actual delivery date. If the delay lasts for over 60 days yet the Transferor still fails to deliver the land despite the Transferee's notice, the Transferee may terminate this Contract, and the Transferor shall refund the transfer price already paid by the Transferee and twice the deposit. The Transferee may claim for losses from the Transferor.

**Article 35** In case the Transferor fails to make delivery of the land as scheduled or in case the land delivered does not meet the conditions set out hereunder or in case the Transferor unilaterally changes the conditions for use of the land, the Transferee may request the Transferor to fulfill its obligations as agreed and claim for direct losses it sustains. The land use term shall start from the date when the land meets the agreed conditions.

### **Chapter VIII Governing Law and Dispute Resolution**

**Article 36** The execution, effectiveness, interpretation, performance and dispute resolution of this Contract shall be governed by PRC laws.

**Article 37** All disputes arising from performance of this Contract shall first be settled by the Parties through friendly consultation. If the consultation fails, paragraph (II) of the following shall apply:

(I) The dispute shall be rendered before \_\_\_\_\_ / \_\_\_\_\_ arbitration committee for arbitration;

(II) The dispute shall be rendered before a competent court for trial.

### **Chapter IX Supplementary Provisions**

**Article 38** The transfer plan of the subject land has been approved by Chengdu Municipal Government. This Contract shall take effect after the Parties sign hereunto.

**Article 39** The Parties warrant that the name, mailing address, telephone number, fax number, bank, agent and other information provided in this Contract is authentic and valid. Changes to such information, if any, shall be notified to the other Party within 15 days after the changes are made. Otherwise, the Party failing to make promptly notice of the change shall bear the corresponding responsibilities.

**Article 40** This Contract consists of eleven pages. The Chinese version shall prevail.

**Article 41** Prices, amounts and areas in this Contract shall be written in both numbers and words. If there is any discrepancy between the amount in numbers and the amount in words, the amount in words shall prevail.

**Article 42** Matters uncovered by this Contract may be settled by the Parties by entering into an agreement as an appendix hereto. The appendix shall have the same legal effect as this Contract.

**Article 43** This Contract is made in ten copies, with the Transferor and the Transferee holding five copies respectively. Each copy shall have the same legal effect.

Transferor (Seal): Chengdu Land Resources Bureau

Legal Representative (Authorized Representative):

(Signature):

Transferee (Seal): Chengdu Ctrip Information Technology Co., Ltd

Legal Representative (Authorized Representative):Min Fan

(Signature):

Date: September 30, 2011

**Ctrip.com International, Ltd.  
List of Significant Consolidated Entities**

C-Travel International Limited, a Cayman Islands company  
Ctrip.com (Hong Kong) Limited, a Hong Kong company  
Ctrip Computer Technology (Shanghai) Co., Ltd., a PRC company  
Ctrip Travel Information Technology (Shanghai) Co., Ltd., a PRC company  
Ctrip Travel Network Technology (Shanghai) Co., Ltd., a PRC company  
Ctrip Information Technology (Nantong) Co., Ltd., a PRC company  
China Software Hotel Information System Co., Ltd., a PRC company  
ezTravel Co., Ltd., a Taiwan company  
HKWOT (BVI) Limited, a BVI company  
Beijing Ctrip International Travel Agency Co., Ltd., a PRC company  
Shanghai Ctrip Commerce Co., Ltd., a PRC company  
Guangzhou Ctrip Travel Agency Co., Ltd., a PRC company  
Shanghai Huacheng Southwest Travel Agency Co., Ltd., a PRC company  
Shanghai Ctrip International Travel Agency Co., Ltd. (formerly Shanghai Ctrip Charming International Travel Agency Co., Ltd.), a PRC company  
Shenzhen Ctrip Travel Agency Co., Ltd., a PRC company  
Chengdu Ctrip Travel Service Co Ltd  
Chengdu Ctrip International Travel Service co., Ltd

\* Other consolidated entities of Ctrip.com International, Ltd. have been omitted from this list since, considered in the aggregate as a single entity, they would not constitute a significant subsidiary.

**AMENDED CODE OF BUSINESS CONDUCT AND ETHICS**

**Purpose**

This Amended Code of Business Conduct and Ethics (the “Code”) contains general guidelines for conducting the business of Ctrip.com International, Ltd. (the “Company” or “Ctrip”) consistent with the highest standards of business ethics, and is intended to qualify as a “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that Ctrip files with, or submits to, the U.S. Securities and Exchange Commission (the “SEC”) and in other public communications made by Ctrip;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

**Applicability**

This Code applies to all of the directors, officers, employees and agents of Ctrip, whether they work for Ctrip on a full-time, part-time, consultative, or temporary basis (each an “employee” and collectively, the “employees”). Certain provisions of the Code apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, vice presidents and any other persons who perform similar functions for Ctrip (each, a “senior officer,” and collectively, “senior officers”).

The Board of Directors of Ctrip (the “Board”) has appointed Cindy Xiaofan Wang, the Company’s Vice President of Finance, as the Compliance Officer for the Company. If you have any questions regarding the Code or would like to report any violation of the Code, please call the Compliance Officer at 8621-34064880 extension 12202 or e-mail her at [xfwang@ctrip.com](mailto:xfwang@ctrip.com).

This Code was originally adopted by the Board on April 23, 2004 and amended by the Board and became effective on March 3, 2009.

## Conflicts of Interest

### *Identifying Conflicts of Interest*

A conflict of interest occurs when an employee's private interest interferes, or appears to interfere, in any way with the interests of Ctrip as a whole. You should actively avoid any private interest that may influence your ability to act in the interests of Ctrip or that may make it difficult to perform your work objectively and effectively. In general, the following should be considered conflicts of interest:

- Competing Business. No employee may be employed by a business that competes with Ctrip or deprives it of any business.
- Corporate Opportunity. No employee should use corporate property, information or his or her position with Ctrip to secure a business opportunity that would otherwise be available to Ctrip. If you discover a business opportunity that is in Ctrip's line of business, through the use of Ctrip's property, information or position, you must first present the business opportunity to Ctrip before pursuing the opportunity in your individual capacity.
- Financial Interests
  - i. No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business or entity if such interest adversely affects the employee's performance of duties or responsibilities to Ctrip, or requires the employee to devote certain time during such employee's working hours at Ctrip;
  - ii. No employee may hold any ownership interest in a privately-held company that is in competition with Ctrip;
  - iii. An employee may hold up to but no more than 5% ownership interest in a publicly traded company that is in competition with Ctrip;
  - iv. Notwithstanding other provisions of this Code,
    - (a) a director or an immediate family member of such director (collectively for the director and her/his family member(s), "Director Affiliates") or a senior officer or an immediate family member of such senior officer (collectively for the senior officer and her/his family member(s), "Officer Affiliates") may continue to hold his/her/its investment or other financial interest in a business or entity (an "Interested Business") that:
      - (1) was made or obtained either (x) before Ctrip invested in or otherwise became interested in such business or entity; or (y) before the director or senior officer joined Ctrip (for the avoidance of doubt, regardless of whether Ctrip had or had not already invested in or otherwise become interested in such business or entity at the time the director or senior officer joined Ctrip); or

(2) may in the future be made or obtained by the director or senior officer, provided that at the time such investment or other financial interest is made or obtained, Ctrip has not yet invested in or otherwise become interested in such business or entity; provided that such director or senior officer shall disclose such investment or other financial interest to the Board;

(b) an interested director or senior officer shall refrain from participating in any discussion among senior officers of Ctrip relating to an Interested Business and shall not be involved in any proposed transaction between Ctrip and an Interested Business; and

(c) before any Director Affiliate or Officer Affiliate (i) invests, or otherwise acquires any equity or other financial interest, in a business or entity that is in competition with Ctrip; or (ii) enters into any transaction with Ctrip, the related director or senior officer shall obtain advance approval from the Audit Committee of the Board.

If an employee's ownership interest in a business entity described in clause (iii) above increases to more than 5%, the employee must immediately report such ownership to the Compliance Officer.

For purposes of this Code, a company or entity is deemed to be "in competition with Ctrip" if it competes with Ctrip's business in the hotel reservation, air ticketing, packaged-tour, corporate travel and/or any other business in which Ctrip is engaged.

- Loans or Other Financial Transactions. No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier or competitor of Ctrip. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.
- Service on Boards and Committees. No employee should serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests reasonably could be expected to conflict with those of Ctrip. Employees must obtain prior approval from the Board before accepting any such board or committee position. Ctrip may revisit its approval of any such position at any time to determine whether service in such position is still appropriate.

It is difficult to list all of the ways in which a conflict of interest may arise, and we have provided only a few, limited examples. If you are faced with a difficult business decision that is not addressed above, ask yourself the following questions:

- Is it legal?
- Is it honest and fair?
- Is it in the best interests of Ctrip?

### ***Disclosure of Conflicts of Interest***

Ctrip requires that employees fully disclose any situations that reasonably could be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it immediately to the Compliance Officer. Conflicts of interest may only be waived by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law.

### ***Family Members and Work***

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of Ctrip. If a member of an employee's family is interested in doing business with Ctrip, the criteria as to whether to enter into or continue the business relationship, and the terms and conditions of the relationship, must be no less favorable to Ctrip compared with those that would apply to a non-relative seeking to do business with Ctrip under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Compliance Officer. For purposes of this Code, "family members" or "members of your family" include your spouse, brothers, sisters and parents, in-laws and children.

### ***Gifts and Entertainment***

The giving and receiving of gifts is common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, your ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment could not be viewed as an inducement to any particular business decision. All gifts and entertainment expenses made on behalf of Ctrip must be properly accounted for on expense reports.

Employees may only accept appropriate gifts. We encourage employees to submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over RMB200 must be submitted immediately to the administration department of the Company.

Ctrip's business conduct is founded on the principle of "fair transaction." Therefore, no employee may receive kickbacks, bribe others, or secretly receive commissions or any other personal benefits.

### **Protection and Use of Company Assets**

Employees should protect Ctrip's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on Ctrip's profitability. The use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of Ctrip's assets, each employee should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property;
- Promptly report the actual or suspected theft, damage or misuse of Company property;
- Safeguard all electronic programs, data, communications and written materials from inadvertent access by others; and
- Use Company property only for legitimate business purposes.

### **Intellectual Property and Confidentiality**

- All inventions, creative works, computer software, and technical or trade secrets developed by an employee in the course of performing the employee's duties or primarily through the use of the Company's materials and technical resources while working at the Company, shall be the property of the Company.
- The Company maintains a strict confidentiality policy. During an employee's term of employment, the employee shall comply with any and all written or unwritten rules and policies concerning confidentiality and shall fulfill the duties and responsibilities concerning confidentiality applicable to the employee.
- In addition to fulfilling the responsibilities associated with his position in the Company, an employee shall not, without first obtaining approval from the Company, disclose, announce or publish trade secrets or other confidential business information of the Company, nor shall an employee use such confidential information outside the course of his duties to the Company.
- Even outside the work environment, an employee must maintain vigilance and refrain from disclosing important information regarding the Company or its business, customers or employees.

- An employee's duty of confidentiality with respect to the confidential information of the Company survives the termination of such employee's employment with the Company for any reason until such time as the Company discloses such information publicly or the information otherwise becomes available in the public sphere through no fault of the employee.
- Upon termination of employment, or at such time as the Company requests, an employee must return to the Company all of its property without exception, including all forms of medium containing confidential information, and may not retain duplicate materials.

### **Accuracy of Financial Reports and Other Public Communications**

Ctrip is a public company and is required to report its financial results and other material information about its business to the public and the SEC. It is Ctrip's policy to promptly disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage Ctrip and result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- Financial results that seem inconsistent with the performance of the underlying business;
- Transactions that do not seem to have an obvious business purpose; and
- Requests to circumvent ordinary review and approval procedures.

Ctrip's senior financial officers and other employees working in the [Accounting Department] have a special responsibility to ensure that all of Ctrip's financial disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Compliance Officer.

### **Company Records**

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are the source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to make false or misleading entries. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. You are responsible for understanding and complying with the Company's record keeping policy. Contact the Compliance Officer if you have any questions regarding the record keeping policy.

### **Compliance with Laws and Regulations**

Each employee has an obligation to comply with all laws, rules and regulations applicable to Ctrip. This includes, without limitation, laws covering commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets. Employees are expected to understand and comply with all laws, rules and regulations that apply to your job position at Ctrip. If any doubt exists about whether a course of action is lawful, you should seek advice immediately from the Compliance Officer.

### **Compliance with Insider Trading Policy**

Each employee has an obligation to comply with Ctrip's Insider Trading Policy dated December 30, 2003, a copy of which has been provided to each employee.

### **Violations of the Code**

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of Ctrip and its employees.

If you know of or suspect a violation of this Code, it is your responsibility to immediately report the violation to the Compliance Officer, who will work with you to investigate your concern. All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Compliance Officer and the Company will protect your confidentiality to the extent possible, consistent with the law and the Company's need to investigate your concern.

It is Ctrip's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. Your conduct as an employee of Ctrip, if it does not comply with the law or with this Code, can result in serious consequences for both you and Ctrip.

Ctrip strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation, will be subject to disciplinary action up to and including termination of employment.

**Waivers of the Code**

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public.

**Conclusion**

This Code contains general guidelines for conducting the business of Ctrip consistent with the highest standards of business ethics. If you have any questions about these guidelines, please contact the Compliance Officer. We expect all employees to adhere to these standards. Each employee is separately responsible for his or her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management. If you engage in conduct prohibited by the law or this Code, you will be deemed to have acted outside the scope of your employment. Such conduct will subject you to disciplinary action, including termination of employment.

Each subsidiary and affiliate of Ctrip shall prepare comprehensive and concrete rules to implement this Code based on its own situations and needs.

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

I, Min Fan, certify that:

1. I have reviewed this annual report on Form 20-F of Ctrip.com International, Ltd. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 30, 2012

By: /s/ Min Fan

Name: Min Fan

Title: President and Chief Executive Officer

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

I, Jane Jie Sun, certify that:

1. I have reviewed this annual report on Form 20-F of Ctrip.com International, Ltd. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 30, 2012

By: /s/ Jane Jie Sun

Name: Jane Jie Sun

Title: Chief Financial Officer

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

In connection with the Annual Report of Ctrip.com International, Ltd. (the "Company") on Form 20-F for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Min Fan, 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, as amended; and

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

Date: March 30, 2012

By: /s/ Min Fan

Name: Min Fan

Title: President and Chief Executive Officer

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

In connection with the Annual Report of Ctrip.com International, Ltd. (the "Company") on Form 20-F for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jane Jie Sun, 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, as amended; and

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

Date: March 30, 2012

By: /s/ Jane Jie Sun

Name: Jane Jie Sun

Title: Chief Financial Officer

[Maples and Calder letterhead]

Our ref RDS\302248\5140222v1  
Direct tel +852 2971 3046  
Email richard.spooner@maplesandcalder.com

Ctrip.com International, Ltd.  
No. 99 Fu Quan Road  
Shanghai 200335  
People's Republic of China

March 30 2012

**Dear Sirs**

Ctrip.com International, Ltd. (the “Company”)

We consent to the reference to our firm under the heading “Taxation” in the Company’s Annual Report on Form 20-F for the year ended December 31 December , 2011, which will be filed with the Securities and Exchange Commission in the month of March, 2012 2011.

Yours faithfully,

/s/ Maples and Calder  
\_\_\_\_\_  
Maples and Calder

**[Letterhead of Commerce & Finance Law Offices]**

March 30, 2012

Ctrip.com International, Ltd.  
No. 99 Fu Quan Road  
Shanghai 200335, People's Republic of China

Dear Sirs:

We consent to the reference to our firm under the headings “Key Information — Risk Factors,” “Information on the Company — Business Overview — PRC Government Regulations,” “Major Shareholders and Related Party Transactions — Related Party Transactions” and “Financial Statements — Notes to the Consolidated Financial Statements” in Ctrip.com International, Ltd.’s Annual Report on Form 20-F for the year ended December 31, 2011, which will be filed with the Securities and Exchange Commission in the month of March, 2012.

Yours faithfully,

/s/ Commerce & Finance Law Offices  
Commerce & Finance Law Offices

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-136264, No.333-116567 and No. 333-146761) and Form F-3 (No. 333-145161 and No. 333-165150) of Ctrip.com International, Ltd. of our report dated March 30, 2012 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 CPAs Limited Company  
PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, PRC

March 30, 2012