

**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, 2014

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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

For the transition period from **to**

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)

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(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:
35,146,982 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

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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 depository 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, 2012, 2013 and 2014.

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.

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, 2012, 2013 and 2014 and the selected consolidated balance sheet data as of December 31, 2013 and 2014 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, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010, 2011 and 2012 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,					
	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2014 US\$ ⁽²⁾
(in thousands, except for per ordinary share data)						
Consolidated Statement of Operation Data						
Net revenues	2,881,233	3,498,085	4,158,791	5,386,746	7,346,918	1,184,108
Cost of revenues	(625,261)	(805,130)	(1,037,791)	(1,386,767)	(2,100,606)	(338,556)
Gross profit	2,255,972	2,692,955	3,121,000	3,999,979	5,246,312	845,552
Operating expenses						
Product development ⁽¹⁾	(453,853)	(601,485)	(911,905)	(1,245,719)	(2,321,349)	(374,134)
Sales and marketing ⁽¹⁾	(453,293)	(624,600)	(984,002)	(1,269,413)	(2,214,210)	(356,866)
General and administrative ⁽¹⁾	(294,701)	(400,876)	(570,487)	(646,405)	(861,551)	(138,856)
Total operating expenses	(1,201,847)	(1,626,961)	(2,466,394)	(3,161,537)	(5,397,110)	(869,856)

Income / (loss) from operations	1,054,125	1,065,994	654,606	838,442	(150,798)	(24,304)
Net interest income and other income	136,712	223,627	296,088	306,147	286,235	46,133
Income before income tax expense, equity in income of affiliates and non-controlling interest	1,190,837	1,289,621	950,694	1,144,589	135,437	21,829
Income tax expense	(205,017)	(262,186)	(294,526)	(293,740)	(130,821)	(21,085)
Equity in income of affiliates	66,172	57,525	34,343	55,554	87,006	14,023
Net income	1,051,992	1,084,960	690,511	906,403	91,622	14,767
Less: Net (loss) / income attributable to non- controlling interests	(3,922)	(8,545)	23,895	91,917	151,117	24,356
Net income attributable to Ctrip's shareholders	1,048,070	1,076,415	714,406	998,320	242,739	39,123

Earnings Per Ordinary Share Data:

Net income attributable to Ctrip's shareholders	1,048,070	1,076,415	714,406	998,320	242,739	39,123
Earnings per ordinary share ⁽³⁾ , basic	29.62	29.92	20.87	30.34	7.08	1.14
Earnings per ordinary share ⁽³⁾ , diluted	27.89	28.30	19.92	26.63	6.35	1.02

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	As of December 31,					
	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2014 US\$ ⁽²⁾
(in thousands)						
Consolidated Balance Sheet Data:						
Cash and cash equivalents	2,153,935	3,503,428	3,421,533	7,138,345	5,300,888	854,348
Restricted cash	224,179	211,636	768,229	739,544	836,395	134,802
Short-term investment	1,178,278	1,288,472	1,408,664	3,635,091	6,438,855	1,037,755
Accounts receivable, net	621,549	789,036	983,804	1,518,230	1,826,766	294,422
Prepayments and other current assets	355,831	566,188	999,149	1,237,531	2,480,276	399,748
Deferred tax assets, current	37,136	39,782	61,841	96,980	193,503	31,187
Non-current assets	3,545,296	3,362,893	4,026,531	6,452,753	14,214,234	2,290,918
Total assets	8,116,204	9,761,435	11,669,751	20,818,474	31,290,917	5,043,180
Current liabilities	1,880,898	2,568,060	3,910,144	6,368,008	12,714,703	2,049,238
Deferred tax liabilities, non-current	45,383	48,309	53,309	63,197	132,507	21,356
Long-term Debt	—	—	1,121,418	5,657,183	8,065,980	1,300,000
Total Ctrip's shareholders' equity	6,103,693	7,042,295	6,489,632	8,530,396	9,529,179	1,535,825
Noncontrolling interests	86,230	102,771	95,248	199,690	848,548	136,761
Total shareholder's equity	6,189,923	7,145,066	6,584,880	8,730,086	10,377,727	1,672,586

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

	For the Year Ended December 31,					
	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2014 US\$ ⁽²⁾
(in thousands)						
Product development	64,254	98,955	132,583	138,668	184,665	29,763
Sales and marketing	33,203	48,191	55,892	49,105	54,392	8,766
General and administrative	145,104	195,645	243,246	250,157	257,587	41,516

(2) Translation from RMB amounts into U.S. dollars was made at a rate of RMB6.2046 to US\$1.00. See "Exchange Rate Information."

(3) Each ADS represents 0.25 of an ordinary share.

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 2014 at US\$1.00 : RMB6.2046, which was the certified exchange rate in effect as of December 31, 2014. The certified exchange rate on April 17, 2015 was US\$1.00: RMB6.1976. 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. 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.

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Period	Certified Exchange Rate			
	Period-End	Average ⁽¹⁾	Low	High
(RMB per U.S. Dollar)				
2010	6.6000	6.7693	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
October	6.1124	6.1251	6.1385	6.1107
November	6.1429	6.1249	6.1429	6.1117
December	6.2046	6.1886	6.2256	6.1490
2015				
January	6.2495	6.2181	6.2535	6.1870
February	6.2695	6.2518	6.2695	6.2399
March	6.1990	6.2386	6.2741	6.1955
April (through April 17, 2015)	6.1976	6.2011	6.1930	6.2152

(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 macroeconomic environment is facing challenges, including the escalation of the European sovereign debt crisis since 2011, the end of quantitative easing by the U.S. Federal Reserve and the economic slowdown in the Eurozone in 2014. There have been concerns over unrest in the Middle East and Africa, which have resulted in volatility in oil and other markets, and over the possibility of a war involving Ukraine.

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 severe or 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. The Chinese economy has slowed down in recent years. According to the National Bureau of Statistics of China, in 2014, China's gross domestic product was 7.4% and it is unclear how the economy will fare in 2015 and beyond. Since we derive the majority of our revenues from accommodation reservation, transportation ticketing and packaged-tour services in China, any severe or prolonged slowdown 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, transportation 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:

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- an outbreak of H1N1 influenza, ebola virus, avian flu, severe acute respiratory syndrome, or SARS, or any other serious contagious diseases;
- increased prices in the hotel, transportation ticketing, or other travel-related sectors;
- increased occurrence of travel-related accidents;
- political unrest;
- 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 2014, the trading prices of our ADSs on the NASDAQ Global Select Market ranged from US\$35.96 to US\$69.74 per ADS, and the closing price on April 24, 2015 was US\$65.57 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 or other companies that primarily operate in China;
- changes in major business terms between our travel suppliers and us;
- 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; 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. Furthermore, some negative news and perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure including the use of variable interest entities or other matters of other China-based companies have negatively affected the attitudes of investors towards China-based companies, including us, in general in the past, regardless of whether we have engaged in any inappropriate activities, and any news or perceptions with a similar nature may continue to negatively affect us in the future. In addition, 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, the second half of 2011, the first half of 2012 and the second half of 2013. These broad market and industry fluctuations may continue to 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.

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If we are unable to maintain existing relationships with travel suppliers and strategic alliances, or establish new arrangements with travel suppliers and strategic alliances at or on favorable terms or at terms similar to those we currently have, our business and profit margins 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 favorable terms or terms similar to those we currently have agreed. The hotel suppliers may reduce the commission rates on bookings made through us. Furthermore, in order to maintain and grow our business and to effectively compete with many of our competitors in all potential markets, we will need to establish new arrangements with hotels and accommodations of all ratings and categories 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. 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. In the past, airlines have from time to time reduced the commission rates on tickets booked and sold through us, which negatively affected our revenues from transportation ticketing in the relevant periods. We cannot assure you that any of these airlines will continue to have supplier relationships with us or pay us commissions at the same or similar rates as what they paid us in the past. The loss of these supplier relationships or adverse changes in major business terms with our travel suppliers would materially 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 complaints and organize effective marketing and advertising programs. If our customer base significantly declines or grows more slowly than our key competitors, 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. We also compete with traditional travel agencies and new Internet travel search websites, such as Qunar.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 formed stronger strategic alliances with overseas travel consolidators may have more effective channels to address overseas travel needs of customers in China. Furthermore, 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.

In the past, certain competitors launched aggressive advertising campaigns, special promotions and engaged in other marketing activities to promote their brands, acquire new customers or to increase their market shares. In response to such competitive pressure, we started to take and may continue to take similar measures and as a result will incur significant expenses, which in turn could negatively affect our operating margins in the quarters or years when such promotional activities are carried out. For example, we launched a promotion program in recent years to offer certain selected transportation tickets, hotel rooms and package tours as well as grant of e-coupons to our customers in response to promotion campaigns that our competitors have launched. Primarily as a result of the enhanced marketing efforts and additional investment in product developments in response to the intensified market competition, our operational margin was negatively affected. In addition, some of our existing and potential competitors may have competitive advantages, such as significantly larger active user base on mobile or other online platforms, 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.

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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 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 an approximately 15.1% stake in Homeinns Hotel Group (formerly Home Inns & Hotels Management Inc.), or Homeinns, a leading economy hotel chain in China. The purchase prices were determined based on the trading prices of Homeinns' ADSs on the NASDAQ Global Market at the time of each open market purchase or the average closing prices of Homeinns' ADSs as stipulated in the relevant purchase agreement. 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 were equal to Hanting's initial public offering price. In 2013 and 2014, we invested a total of US\$117 million in approximately 18.5% stake in eHi Auto Services Limited, or eHi, one of the largest car rental companies in China, through private placement transactions prior to and concurrently with eHi's initial public offering. In 2014, we invested a total of US\$30 million in approximately 4.6% stake in Tuniu Corporation, or Tuniu, a well-known service provider in the leisure package tour market, through a private placement transaction concurrently with Tuniu's initial public offering and private acquisitions afterwards. If the ADS prices of Homeinns, Hanting, eHi, Tuniu or other future public company targets 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 addition, if any of these acquired entities incur a net loss in the future, we would share their net loss proportionate to our equity interest in them.

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. See “Item 4. Information on the Company—History and Development of the Company” for more details of our acquisitions and investments. 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, 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.

In addition, our future success will depend on our ability to adapt our products and services to the changes in technologies and Internet user behavior. For example, the number of people accessing the internet through mobile devices, including smart devices, mobile phones, tablets and other hand-held devices, has increased in recent years, and we expect this trend to continue while 3G, 4G and more advanced mobile communications technologies are broadly implemented. As we make our services available across a variety of mobile operating systems and devices, we are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android, iOS and Windows. Any changes in such mobile operating systems or devices that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. Further, if the number of platforms for which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market such as China, it will result in an increase in our costs and expenses. In order to deliver high quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. If we fail to develop products and technologies that are compatible with all mobile devices and operating systems, or if the products and services we develop are not widely accepted and used by users of various mobile devices and operating systems, we may not be able to penetrate the mobile Internet market. In addition, the widespread adoption of new internet technologies or other technological changes could require significant expenditures to modify or integrate our products or services. If we fail to keep up with these changes to remain competitive, our future success may be adversely affected.

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, mobile platform, 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, mobile platform 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 transportation ticketing agencies to issue transportation 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 paid by hotels 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.

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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 transportation tickets before selling them to our customers and thereby incur inventory risk. If we are unable to correctly predict demand for hotel rooms and transportation tickets that we are committed to purchase, we would be responsible for covering the cost of the hotel rooms and transportation tickets we are unable to sell, and our financial condition and results of operations would be adversely affected.

The recurrence of SARS or 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 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. Starting from March 2013, H7N9 bird flu, a new strain of animal influenza, has been spreading in China and has infected more than a hundred people. In October 2013, large scale political protests began in Thailand that lasted several months and caused disruption to tourism and travel. In November 2013, one of the largest typhoons ever recorded hit the Philippines, causing widespread devastation. In March 2014, the World Health Organization, or the WHO, reported a major ebola outbreak in Guinea, a western African nation. The disease then rapidly spread to the neighboring countries of Liberia and Sierra Leone. As of 3 February 2015, 22,560 suspected cases and 9,019 deaths had been reported; however, the WHO has said that these numbers may be underestimated.

Any future outbreak of 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%, as long as they maintained their qualifications for “high and new technology enterprises” that are subject to renewals every three years with the current effective period expiring by the end of 2017. 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 2002, the PRC State Administration of Taxation, or the SAT, started to implement preferential tax policy in China’s western region, and companies located in applicable jurisdictions covered by the Catalogue of Encouraged Industries in the Western Region (initially effective through the end of 2010 and further extended to 2020) are eligible to apply for a preferential income tax rate of 15% if their businesses fall within the “encouraged” category of the policy. Benefiting from this policy, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% tax rate for their annual tax filing subject to periodic renewals over the years since 2012. The two entities re-applied for this qualification after the effective period expired in 2014 and their applications were approved by the relevant government authority. In 2013, Chengdu Information Technology Co., Ltd., or Chengdu Information, obtained approval from local tax authorities to apply the 15% tax rate for its 2012 tax filing and for the years from 2013 to 2016. In the event that the preferential tax treatment for these entities is discontinued, these entities will become subject to the standard tax rate at 25%, which would materially increase our tax obligations.

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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 legal or administrative proceedings regarding information provided on our online portals or other aspects of our business operations, which may be time-consuming to defend.

Our online portals contain information about hotels, flights, popular vacation destinations and other travel-related topics. It is possible that if any information accessible on our online portals 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. From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to labor and employment claims, breach of contract claims, anti-competition claims and other matters. Although such proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flow. Regardless of the outcome and merit of such proceedings, however, any legal action can have an adverse impact on us because of defense costs, negative publicity, diversion of management’s attention and other factors. In addition, it is possible that an unfavorable resolution of one or more legal or administrative proceedings, whether in the PRC or in another jurisdiction, could materially and adversely affect our financial position, results of operations or cash flows in a particular period or damage our reputation.

We could be liable for breaches of Internet security or 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. In recent years, PRC government authorities have enacted legislation on Internet use to protect personal information from any unauthorized disclosure. See “Item 4. Information on the Company — B. Business Overview—PRC Government Regulations—Internet Privacy.” We conduct a significant portion of our transactions through Internet (including our websites and mobile platform). 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 may contain deficiencies that we fail to identify, and advances in technology, increased levels of expertise of hackers, new discoveries in the field of cryptography or others could increase our vulnerability. For example, a third-party website with focus on Internet security information exchange released a news in March 2014 that as a result of a temporary testing function performed by us, certain data files containing customers’ credit card information had been stored on local servers maintained by us, which may lead to potential exposure of these customers’ information to hackers. We removed the cause of the potential security concern within two hours and then examined all other possible leaks and found that 93 customers’ credit card information might have been downloaded by the above-mentioned website for the purpose of confirming potential risks. Although to our knowledge, no customer has suffered financial loss or other damage due to the incident as of the date of this report, our business, results of operations, user experience and reputation may be materially and adversely affected if similar incidents related to Internet security recur in the future. 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 may be the subject of detrimental conduct by third parties including complaints to regulatory agencies, negative blog postings, and the public dissemination of malicious assessments of our business, which could have a negative impact on our reputation and cause us to lose market share, travel suppliers and customers and revenues, and adversely affect the price of our ADSs.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct may include complaints, anonymous or otherwise, to regulatory agencies regarding our operations, accounting, revenues, business relationships, business prospects and business ethics. Additionally, allegations, directly or indirectly against us, may be posted in Internet chat-rooms or on blogs or any websites by anyone, whether or not related to us, on an anonymous basis. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Our reputation may also be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, travel suppliers and customers and revenues and adversely affect the price of our ADSs.

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 hire celebrities to be our brand ambassadors to market our brands and products and this marketing initiative may not be effective.

From time to time, we hire celebrities to be our brand ambassadors to market our “Ctrip” brand or our products and services that are important to our business. However, we cannot give assurance that the endorsement from our brand ambassadors or related advertisements will remain effective, that the brand ambassador will remain popular or his or her images will remain positive and compatible with the messages that our brand and products aim to convey. Furthermore, we cannot ensure that we can successfully find suitable celebrities to replace any of our existing brand ambassador if any of his popularities declines or if the existing brand ambassador is no longer able or suitable to continue the engagement, and termination of such engagements may have a significant impact on our brand images and the promotion or sales of our products. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

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 in 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 “Compensation—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. We have granted share-based compensation awards, including share options and restricted share units, to employees, officers and directors to incentivize performance and align their interests with ours. We have 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. As a result of these grants and potential future grants under these plans, we had incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of these expenses is based on the fair value 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 and extensions, our share-based compensation expense of 2010 reduced our diluted earnings per ADS by approximately US\$0.06. In addition, with such changes and extensions, 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 U.S. 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, 2014. 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, 2014. 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, 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.

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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. Our affiliated Chinese entities and our subsidiaries have registered all equity pledges. The effectiveness of the pledges will be recognized by PRC courts if disputes arise on certain pledged equity interests and that our subsidiaries' interests as pledgees will prevail over those of third parties.

Furthermore, we were aware that a China-based company listed in the U.S. announced in 2012 that it was subject to the SEC's investigation which it believed related to the consolidation of its consolidated affiliated Chinese entities. Following the announcement, that issuer's stock price declined significantly. Although we are not aware of any actual or threatened investigation, inquiry or other action by the SEC, NASDAQ or any other regulatory authority with respect to consolidation of our consolidated affiliated Chinese entities, we cannot assure you that we will not be subject to any such investigation or inquiry in the future. In the event we are subject to any regulatory investigation or inquiry relating to our consolidated affiliated Chinese entities, including the consolidation of such entities into our financial statements, or any other matters, we may need to spend significant amount of time and expenses in connection with the investigation or inquiry, our reputation may be harmed regardless of the outcome, and the trading price of our ADS may materially decline or fluctuate.

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-accommodation 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, vice chairman of the board and president, Min Fan, our officers, Dongjie Guo and Maohua Sun were also the principal shareholders of our consolidated affiliated Chinese entities as of the date of this report. 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.”

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

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

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOC, treated as a PRC domestic investor provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “control” is broadly defined in the draft law to cover any of the following summarized categories: (i) holding 50% of or more of the voting rights or similar equity interest of the subject entity; (ii) holding less than 50% of the voting rights or similar equity interest of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE and its investment amount exceeds certain thresholds or its business operation falls within a “negative list” to be separately issued by the State Council in the future, market entry clearance by the MOC or its local counterparts would be required. Otherwise, all foreign investors may make investments on the same terms as Chinese investors without being subject to additional approval from the government authorities as mandated by the existing foreign investment legal regime.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “Risk Factors—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.” and “Major Shareholders and Related Party Transactions—Related Party Transactions—Arrangements with Consolidated Affiliated Chinese Entities.” Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is on the “negative list,” the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

It is likely that we would not be considered as ultimately controlled by PRC nationals, as our shareholder base is relatively diverse and, to our knowledge, ultimate beneficial owners of our shares who are PRC nationals may not, in the aggregate, control more than 50% of our total voting power as of March 31, 2015. The draft Foreign Investment Law has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties, while it solicited comments from the public on this point by illustrating several possible options. Under these varied options, a company that has a VIE structure and conducts the business on the “negative list” at the time of enactment of the new Foreign Investment Law has either the option or obligation to disclose its corporate structure to the authorities, while the authorities, after reviewing the ultimate share control structure of the company, may either permit the company to continue maintain the VIE structure (if the company is deemed ultimately controlled by PRC nationals), or require the company to dispose of its businesses and/or VIE structure based on circumstantial considerations. Moreover, it is uncertain whether the air-ticketing, travel agency, advertising and value-added telecommunications industries, in which our variable interest entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as MOC market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, we face substantial uncertainties as to whether these actions can be timely completed, or at all, and our business and financial condition may be materially and adversely affected.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent *ad hoc* and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

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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 arm's-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 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 are subject to a 10% withholding tax unless 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, 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, Notice No. 601, to provide guidance on the criteria for determining 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 No. 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 will 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 for PRC tax purposes, 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.

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Moreover, under the EIT Law, foreign ADS holders that are not PRC resident enterprises may be subject to a 10% withholding tax upon dividends payable by a Chinese entity that is considered as a PRC resident enterprise 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 would reduce the returns on your investment in our ADSs.

We face uncertainty with respect to indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in public securities market), or an Indirect Transfer, the non-resident enterprise, as the seller, may be subject to PRC enterprise income tax of up to 10% of the gains derived from the Indirect Transfer in certain circumstances.

On February 3, 2015, the SAT issued Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfers by Non-PRC Resident Enterprises, or SAT Notice No. 7, to supersede the existing tax rules in relation to the tax treatment of the Indirect Transfer, while the other provisions of SAT Circular 698 irrelevant to the Indirect Transfer remain in force. SAT Notice No. 7 introduces a new tax regime that is significantly different from that under SAT Circular 698. It extends the SAT's tax jurisdiction to capture not only the Indirect Transfer as set forth under SAT Circular 698 but also transactions involving indirect transfer of (i) real properties in China and (ii) assets of an "establishment or place" situated in China, by a non-PRC resident enterprise through a disposition of equity interests in an overseas holding company. SAT Notice No. 7 also extends the interpretation with respect to the disposition of equity interests in an overseas holding company. In addition, SAT Notice No. 7 further clarifies how to assess reasonable commercial purposes and introduces safe harbors applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee as they are required to make self-assessment on whether an Indirect Transfer or similar transaction should be subject to PRC tax and whether they should file or withhold any tax payment accordingly.

There is uncertainty as to the application of SAT Circular 698 and SAT Notice No. 7. In the event that non-PRC resident investors were involved in our private equity financing transactions and such transactions were determined by the competent tax authorities as lack of reasonable commercial purposes, we and our non-PRC resident investors may become at risk of being taxed under SAT Circular 698 and SAT Notice No. 7 and may be required to expend costly resources to comply with SAT Circular 698 and SAT Notice No. 7, or to establish a case to be tax exempt under SAT Circular 698 and SAT Notice No. 7, which may cause us to incur additional costs and may have a negative impact on the value of your investment in us.

The PRC tax authorities have discretion under SAT Circular 698 and SAT Notice No. 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the transferred equity interests and the investment cost. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered as a non-PRC resident enterprise under the EIT Law and if the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 698 and SAT Notice No. 7, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

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, that growth may not continue, as evidenced by the slowing of the growth of the Chinese economy since 2012. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position. 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.

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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 SAFE Circular 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 July 4, 2014, SAFE issued the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Outbound Investment and Financing and Inbound Investment via Special Purpose Vehicles, or SAFE Circular 37, which has superseded SAFE Circular 75. Under SAFE Circular 75, SAFE Circular 37 and other relevant foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies will be required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is also required to file or update the registration with the local branch of SAFE, with respect to that offshore 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. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

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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 applicable foreign exchange regulations. 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 resident individuals 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 new Share Incentive 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.

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

Implementation of laws and regulations relating to data privacy in China could adversely affect our business.

Certain data and services collected, provided or used by us or provided to and used by us or our users are currently subject to regulation in certain jurisdictions, including China. The PRC Constitution states that PRC laws protect the freedom and privacy of communications of citizens and prohibit infringement of such basic rights, and the PRC Contract Law prohibits contracting parties from disclosing or misusing the trade secrets of the other party. Further, companies or their employees who illegally trade or disclose customer data may face criminal charges. Although the definition and scope of “privacy” and “trade secret” remain relatively ambiguous under PRC law, growing concerns about individual privacy and the collection, distribution and use of information about individuals have led to national and local regulations that could increase our expenses.

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In December 2012, the Standing Committee of the National People’s Congress enacted the Decision to Enhance the Protection of Network Information, or the Information Protection Decision, to further enhance the protection of users’ personal information in electronic form. The Information Protection Decision provides that Internet information services providers must expressly inform their users of the purpose, manner and scope of the collection and use of users’ personal information by Internet information services providers, publish the Internet information services providers standards for their collection and use of users’ personal information, and collect and use users’ personal information only with the consent of the users and only within the scope of such consent. The Information Protection Decision also mandates that Internet information services providers and their employees keep users’ personal information that they collect strictly confidential, and that they must take such technical and other measures as are necessary to safeguard the information against disclosure, damages and loss. Pursuant to the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. Compliance with current regulations and regulations that may come into effect in these areas may increase our expenses related to regulatory compliance, which could have an adverse effect on our financial condition and operating results.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from the offerings of any securities to make loans or additional capital contributions to our PRC operating subsidiaries.

In September 2012, we completed an offering of US\$180 million in aggregate principal amount of convertible senior notes due 2017. In October 2013, we completed another offering of US\$800 million in aggregate principal amount of convertible senior notes due 2018. In August 2014, we issued US\$500 million in aggregate principal amount of convertible notes due 2019 to Priceline Group Treasury Company B.V., an indirect wholly owned subsidiary of The Priceline Group Inc. As an offshore holding company, our ability to make loans or additional capital contributions to our PRC operating subsidiaries is subject to PRC regulations and approvals and there are restrictions for us to make loans to our affiliated Chinese entities. These regulations and approvals may delay or prevent us from using the proceeds we received in the past or will receive in the future from the offerings of securities to make loans or additional capital contributions to our PRC operating subsidiaries and our affiliated Chinese entities, and impair our ability to fund and expand our business which may adversely affect our business, financial condition and result of operations.

For example, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or Circular 142, on August 29, 2008. Under Circular 142, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC. In addition, foreign-invested companies may not change how they use such capital without SAFE’s approval, and may not in any case use such capital to repay RMB loans if they have not used the proceeds of such loans. In addition, to strengthen Circular 142, on November 9, 2011 the SAFE promulgated the Circular on Further Clarifying and Regulating Relevant Issues Concerning the Administration of Foreign Exchange under Capital Account, or Circular 45, which prohibits a foreign invested company from converting its registered capital in foreign exchange currency into RMB for the purpose of making domestic equity investments, granting entrusted loans, repaying inter-company loans, and repaying bank loans that have been transferred to a third party. Circular 142 and Circular 45 may significantly limit our ability to transfer the net proceeds from offerings of our securities or any future offering to our PRC subsidiaries and convert the net proceeds into RMB, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Circular 142, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiary or with respect to future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our initial public offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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, as described in this annual report, 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. See “Risks Related to Our Corporate Structure—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

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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 (formerly known as the Ministry of Information Industry), or the MIIT. 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.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, some users may be prevented from accessing the mobile internet and thus cause the growth of mobile internet users to decelerate. Such deceleration may adversely affect our ability to continue to expand our user base and maintain our user experience.

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the applicable professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to regularly evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Proceedings instituted by the SEC against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In December 2012, the SEC brought administrative proceedings against the Big Four accounting firms, including our independent registered public accounting firm, in China, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC for potential accounting fraud. On January 22, 2014, an initial administrative law decision, or Initial Decision, was issued, censuring these accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. The accounting firms filed a Petition for Review of the Initial Decision to the SEC. On February 6, 2015, the Big Four China-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms' audit documents via the China Securities Regulatory Commission, or the CSRC. If future document productions fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. While we cannot predict if the SEC will further review the four China-based accounting firms' compliance with specified criteria or if the results of such a review would result in the SEC imposing penalties such as suspensions or restarting the administrative proceedings, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our common stock from NASDAQ or the termination of the registration of our common stock under the Securities Exchange Act of 1934, or both, which would substantially reduce or effectively terminate the trading of our common stock in the United States.

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Risks Related to Our Ordinary Shares and ADSs

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

In the future, we may sell additional ADSs to raise capital, and our existing shareholders could sell substantial amounts of our ADSs, including those issued upon the exercise of outstanding options, in the public market. We cannot predict the size of such future issuance or the effect, if any, that they may have on the market price of our ADSs. Any future sales of a substantial number of our ADSs in the public market, or the perception that such issuance and sale may occur, could adversely affect the price of our ADSs and impair our ability to raise capital through the sale of additional equity securities.

Provisions of our convertible notes could discourage an acquisition of us by a third party.

In September 2012, we completed an offering of US\$180 million in aggregate principal amount of convertible senior notes due 2017. In October 2013, we completed another offering of US\$800 million in aggregate principal amount of convertible senior notes due 2018. In August 2014, we issued US\$500 million in aggregate principal amount of convertible notes due 2019 to Priceline Group Treasury Company B.V., an indirect wholly owned subsidiary of The Priceline Group Inc. Certain provisions of our convertible notes could make it more difficult or more expensive for a third party to acquire us. The indentures for these convertible notes define a "fundamental change" to include, among other things: (1) any person or group gaining control of our company; (2) our company merging with or into another company or disposing of substantially all of its assets; (3) any recapitalization, reclassification or change of our ordinary shares or the ADSs as a result of which these securities would be converted into, or exchanged for, stock, other securities, other property or assets; (4) the adoption of any plan relating to the dissolution or liquidation of our company; or (5) our ADSs ceasing to be listed on a major U.S. national securities exchange. Upon the occurrence of a fundamental change, holders of these notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of US\$1,000. In the event of a fundamental change, we may also be required to issue additional ADSs upon conversion of our convertible notes.

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 (2013 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.

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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 these 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 depository 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 depository 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 depository. However, the depository 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 depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository 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, which was subsequently amended. See also "Item 10. Additional Information — Memorandum and Articles of Association — 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.

Based on the market price of our ADSs and ordinary shares, the value of our assets, and the composition of our assets and income, we do not believe that we were a passive foreign investment company (a “PFIC”) for United States federal income tax purposes for our taxable year ended December 31, 2014 and, although no assurances can be made in this regard, we do not expect to be one for our taxable year ending December 31, 2015 or become one in the foreseeable future. Nevertheless, the application of the PFIC rules is subject to ambiguity in several respects and, in addition, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2014 or for any future taxable year.

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A non-U.S. corporation will be considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce, or are held for the production of, passive income. The value of our assets generally will be determined by reference to the market price of our ADSs and ordinary shares, which may fluctuate considerably. If we were treated as a PFIC for any taxable year during which a U.S. Holder held an ADS or an ordinary share, certain adverse United States federal income tax consequences could apply to the U.S. Holder (as defined herein). For a more detailed discussion of United States federal income tax consequences to U.S. Holders, see “Item 10. Additional Information—Taxation—Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

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, 2014, 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;
- Ctrip Information Technology (Nantong) Co., Ltd., or Ctrip Information Technology;
- China Software Hotel Information System Co., or Software Hotel Information;
- ezTravel Co., Ltd., or ezTravel; and
- HKWOT (BVI) Limited, or Wing On Travel.

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

- Shanghai Ctrip Commerce Co., Ltd., or Ctrip Commerce, which holds value-added telecommunications business license;
- 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;
- Guangzhou Ctrip Travel Agency Co., Ltd., or Guangzhou Ctrip, which holds an air transport sales agency license, domestic and cross-border travel agency license;
- 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;
- Shenzhen Ctrip Travel Agency Co., Ltd., or Shenzhen Ctrip, which holds an air transport sales agency license, domestic travel agency license;
- Ctrip Insurance Agency Co., Ltd., or Ctrip Insurance, which holds an insurance agency business license;
- Shanghai Huacheng Southwest International Travel Agency Co., Ltd. (formerly Shanghai Huacheng Southwest Travel Agency Co., Ltd.), or Shanghai Huacheng, which holds domestic travel agency and air transport sales agency licenses;
- Chengdu Ctrip Travel Agency Co., Ltd., or Chengdu Ctrip, a wholly owned subsidiary of Shanghai Ctrip, which holds air transport sales agency license and domestic travel agency license; and
- Chengdu Ctrip International Travel Agency Co., Ltd., or Chengdu Ctrip International, a wholly owned subsidiary of Shanghai Ctrip, which holds domestic and cross-border travel agency licenses, air transport sales agency license.

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We formed Homeinns Hotel (Hong Kong) Limited, or Homeinns Hong Kong, in 2001 to expand our business to include the hotel management service. We spun off all of our interest in Homeinns Hong Kong in August 2003. Homeinns Hong Kong became a wholly owned subsidiary of Homeinns in June 2006. Homeinns 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 Homeinns on the open market representing approximately 10% of the then total outstanding ordinary shares of Homeinns. In May 2009, we entered into a purchase agreement with Homeinns to acquire additional equity interest in Homeinns 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 Homeinns. Our aggregate equity interest in Homeinns was approximately 15.1% of the total outstanding ordinary shares of Homeinns as of December 31, 2014.

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 because 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, 2014.

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. 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. The financial results of Wing On Travel were not significant to our company in the year ended December 31, 2014.

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 the material acquisitions or investments disclosed above, under "Item 4. Information on the Company—B. Business Overview—Strategic Investment and Acquisitions" or elsewhere 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.

In September 2012, we completed an offering of US\$180 million in aggregate principal amount of convertible senior notes due 2017, or the 2017 Notes. The 2017 Notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and certain non-U.S. persons in compliance with Regulation S under the Securities Act. The 2017 Notes will be convertible into our ADSs based on an initial conversion rate of 51.7116 of our ADSs per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately US\$19.34 per ADS and represents an approximately 10% conversion premium over the closing trading price of our ADSs on September 18, 2012, which was US\$17.58 per ADS). The conversion rate is subject to adjustment upon the occurrence of certain events. The 2017 Notes will bear interest at a rate of 0.50% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2013, and they will mature on September 15, 2017, unless previously repurchased or converted in accordance with their terms prior to such date.

In October 2013, we completed an offering of US\$800 million in aggregate principal amount of convertible senior notes due 2018, or the 2018 Notes. The 2018 Notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and certain non-U.S. persons in compliance with Regulation S under the Securities Act. The 2018 Notes will be convertible into our ADSs based on an initial conversion rate of 12.7568 of our ADSs per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately US\$78.39 per ADS and represents an approximately 42.5% conversion premium over the closing trading price of our ADSs on October 10, 2013, which was US\$55.01 per ADS). The conversion rate is subject to adjustment upon the occurrence of certain events. The 2018 Notes will bear interest at a rate of 1.25% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014, and they will mature on October 15, 2018, unless previously repurchased or converted in accordance with their terms prior to such date.

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In August 2014, we have expanded an existing commercial agreement with The Priceline Group Inc., or Priceline Group, to strengthen our global partnership. In addition, we issued US\$500 million in aggregate principal amount of convertible notes due 2019, or the Priceline Note, to Priceline Group Treasury Company B.V., an indirect wholly owned subsidiary of The Priceline Group Inc. and we granted Priceline Group a permission to acquire our shares in the open market over before August 2015, so that combined with shares issuable upon conversion of the convertible note, Priceline Group may hold up to 10% of our outstanding shares. Upon subscription of the convertible note, Priceline Group acquired the right to appoint an observer to our board of directors.

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. 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, transportation ticketing services, packaged tours and corporate travel management in China. We aggregate hotel and flight information to enable business and leisure travelers to make informed and cost-effective bookings. We also help customers book tour packages and guided tours. In addition, our corporate travel management services help corporate clients effectively manage their travel requirements. Since commencing operations in 1999, we have experienced substantial growth and 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 abroad;
- book and purchase transportation tickets for domestic and international flights and/or trains; and
- choose and reserve packaged tours that include transportation and accommodations, as well as guided tours and other value-added services 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 accommodation reservation, transportation 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, 2014, we had secured room supply relationships with approximately 221,000 hotels in China and approximately 522,000 hotels abroad, which cover a broad range of hotels in terms of price and geographical location. Through strategic cooperation arrangements with other leading online accommodation reservation service providers in recent years, we expanded our overseas hotel network by gaining access to more international hotels on these platforms through our accommodation reservation services. 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.

We believe that we are one of 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 cities at home and abroad. 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 through mobile platform, internet websites and customer service centers and arrange electronic payment.

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 transportation at destinations and tickets, insurance, visa services and tour guides. 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 services. Our packaged-tour products cover a variety of domestic and international destinations.

We offer our services to customers through an advanced transaction and service platform consisting of our centralized, 24-hour customer service centers, multi-lingual websites and mobile platform. In 2014, transactions effected through our customer service centers accounted for approximately 20% of our transaction volume, while our websites and mobile platform accounted for the balance.

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

Products and Services

We began offering accommodation reservation and transportation ticketing in October 1999. In 2014, we derived approximately 41% of our revenues from the accommodation reservation business and 38% of our revenues from the transportation ticketing business. In addition, we offer other products and services including packaged tours, mostly bundled by us, that cover hotel, ticketing and transportation as well as corporate travel management services.

Accommodation 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, 2014, we had contracted with approximately 221,000 hotels in China, of which a majority 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 significant part 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.

Transportation Ticketing. Transportation Ticketing revenues mainly represent revenues from reservation of air tickets, railway-tickets and other related services. 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 at home and abroad, such as Cathay Pacific, Singapore Airlines, American 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 and train insurance, air-ticket delivery services, online check-in, and other value-added services, such as online seat selection and flight dynamics.

Our customers can book tickets through our mobile platform, internet websites and customer service centers and make payment electronically. 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 transportation at destinations and tickets, insurance, visa services and tour guides. 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 services. Our packaged-tour products cover a variety of domestic and international destinations.

Corporate Travel. We provide transportation ticket booking, accommodation 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 online advertising services, the sale of Property Management System, or PMS, and related maintenance service. Other products and services accounted for a small portion of our total revenues in 2014.

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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 mobile platform, our multi-lingual websites or our customer service centers. In 2014, transactions executed through our websites and mobile platform combined further increased, accounting for more than 80% of our total transactions, compared with 60% in 2013. To improve the efficiency of our service platform and expand our business opportunities, we have made some technology improvements, such as enhanced international flight search capability, expanded payment methods and virtual desktop technology, which is deployed and in operation for our customer service centers.

Mobile Platform. Our mobile booking software provides one-stop travel platform to our customers who search for hotels, flight, travel, train, car rental and ticket products, and completes bookings within minutes. Mobile applications enable our customers to make bookings more efficiently and have fueled our business growth in new direction. Our customers can also search for travel-related editorial content about destinations and travel tips through the mobile platform. Moreover, travelers can share their travel experience and micro-blogs with others through Ctrip community. We first introduced mobile applications in 2010. Since then we have upgraded mobile applications, added new functions into it on a regular basis and engaged celebrities to promote our brands and mobile platform. Cumulative downloads for Ctrip mobile app exceeded 600 million by December 31, 2014 with a significant portion of our hotel and air transaction executed on it on a daily basis.

In 2013, we developed a corporate travel mobile app, which is the first of its kind in China and provides efficiency to corporate travelers. The app has extensive booking capabilities that match the personal preference of the traveler with their companies’ travel policies. It also features “smart itinerary” and “travel update” functions to ensure users are informed immediately of any changes to their journey. Users of this app enjoy also has 24-hours-a-day, seven-days-a-week call center support.

Internet Websites. Through our Internet websites, we continue improving shopping experience in hotel accommodations, flight tickets, vacation packages, train tickets, and other travel products to our customers.

We have been constantly upgrading our open platform, so that our suppliers and partners are connected to Ctrip more efficiently. We have opened up our system to international partners, search engines, e-commerce websites and affiliated websites to expand business opportunities. We have made great efforts to enhance our price competitiveness by improving the efficiency of our IT system and by working closely with airlines and partners through the open platform.

We have a main Chinese-language website located at www.ctrip.com. In addition, we have global websites like an English-language website located at english.ctrip.com, a Japanese-language website located at jp.ctrip.com, a Korean-language website located at ctrip.co.kr, a French-language website located at fr.ctrip.com, a German-language website located at de.ctrip.com, a Spanish-language website located at es.ctrip.com, a Russian-language website located at ru.ctrip.com, and a Vietnamese-language website located at vn.ctrip.com.

We consolidate and organize travel-related information for our consumers, including user behavior data, hotel reviews, travel blogs and community forums. Destination guides and community users actively search for travel information on our websites. Our customers refer to editorial content for destination research and travel tips.

Customer Service Centers. We have two customer service centers located in Shanghai and Nantong, respectively, and they operate 24 hours a day, seven days a week. 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. All of our customer service representatives participated in a formal training program before commencing work.

Marketing and Brand Awareness

Through online marketing, customer rewards program, advertising and cross-marketing, 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.

Mobile Marketing. We have cooperated with some mobile app marketing agencies and telecommunications operators to increase the number of our app downloads and promote more activations and transactions.

Online Marketing. We have contracted 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. We have purchased related keywords or directory links to direct potential customers to our websites.

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Advertising. We advertise on television, video websites, LCD display screens, radio stations and subways and also conduct public relations activities in the major cities in China where we have a sales team. In 2013, we launched a multi-media campaign featuring a celebrity. Based on our experience, these are effective advertising methods for increasing brand awareness and attracting new customers.

Cross-Marketing. We have entered into cross-marketing arrangements with major Chinese domestic airlines, financial institutions, telecommunications service providers and other corporations. Our airline partners and financial institution partners recommend our products and services to members of their mileage programs or bank card holders. Customers can accumulate miles by booking air tickets through us, or earn Ctrip's points by paying through co-branded credit cards.

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

Since our inception, we have been able to support substantial growth in our offline and online traffic and transactions with our technology and infrastructure.

We provide 24-hours-a-day, seven-days-a-week traveler sales and support service by website, by telephone or via e-mail or by mobile apps. For purposes of providing high service level, we use in-house call centers. Our call centers are located in various locations, including in Shanghai and in Nantong. We have invested significantly in our call center technologies over years and provide top-notch services in China and Asia.

Our systems servers are housed in various locations, mainly in Shanghai and Nantong and these system services are inter-linked among themselves. The performance of our systems servers are monitored and supported 24-hours-a-day, seven-days-a-week. The web hosting facilities have their own back-up systems and conduct daily backup functions for off-site storage.

We access the Internet backbone via several high speed lines to provide fast responses to customer requests, load balance and data backup. The operation of our customer service centers are powered by the servers provided by several leading backend server providers. We adopt hardware, software and services, to protect our servers against unauthorized access to data, or unauthorized alteration or destruction of data.

We believe that the quality of our services powered by technology differentiate us from our competitors in China. Our goal has been to build a reliable, scalable, and secure infrastructure to fully support our customer service center, website operations and one-stop travel platform.

Competition

In the hotel consolidation market, we compete primarily with local and foreign invested consolidators of hotel accommodations. We also compete with new online travel search and service provider platforms; as well as traditional travel agencies. 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 transportation ticketing market, we compete primarily with other consolidators of air tickets with a multi-province airline ticket sales and fulfillment infrastructure in China. We also compete with new online travel search and service provider 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 transportation ticketing business.

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 and www.gotochina.com. They have been registered with www.register.com and www.opensrs.net, respectively, and the domain name 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 “携程(Chinese characters for Ctrip)” with the Trademark Office of the PRC State General Administration for Industry and Commerce, or SAIC. We have registered the trademark “Ctrip” and “携程(Chinese characters for Ctrip)” 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 “携程(Chinese characters for Ctrip)” with the Taiwan Intellectual Property Office and with Direção dos Serviços de Economia of Macau.

In early 2008, “携程(Chinese characters for Ctrip)” was 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 2012, we got the “World Travel Market Globe Award”, which is a global famous award, and were also awarded the “Lifelong Honor”, which is the highest recognition of “Earphone Mic Cup”. In 2013, we were selected by WPP as one of the “BrandZ Top 50” in China and we were selected by Forbes Asia as one of “the Region’s Top 200 Small-and-mid Size Companies”.

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. We have made the following material strategic investments and acquisitions over the past two years:

In December 2013 and August 2014, we entered into share purchase agreements to acquire minority stake of Easy Go Inc., or Easy Go, a leading online and mobile business car booking platform in China, by subscribing its Series B and Series C convertible preferred shares with a total consideration of US\$53 million.

In December 2013 and April 2014, respectively, we subscribed Series E and Series E Plus convertible preferred shares of eHi Auto Services Limited, or eHi, one of the largest car rental companies in China, with a total consideration of approximately US\$107 million. Immediately prior to completion of eHi’s initial public offering, these preferred shares were automatically converted into Class B common shares of eHi. In November 2014, we purchased, through a private placement transaction that was closed concurrently with the initial public offering, US\$10 million worth of Class A common shares of eHi at its initial public offering price. We held an aggregate equity interest of approximately 18.5% of eHi’s total outstanding shares as of December 31, 2014.

In May 2014, we purchased, through a private placement transaction that was closed concurrently with the initial public offering, US\$15 million worth of class A ordinary shares of Tuniu, at its initial public offering price. In December 2014, we purchased, in a separate transaction, an additional 3,731,034 newly issued Class A ordinary shares of Tuniu at an aggregate consideration of approximately US\$15 million. We held an aggregate equity interest of approximately 4.6% of Tuniu’s total outstanding shares as of December 31, 2014.

On December 3, 2013, we acquired approximately 4% equity shares in Keystone Lodging Holdings Limited, or Keystone, which in 2013, merged with 7 Days Group Holdings Limited, or 7 Days, a leading economy hotel chain based in China. The total consideration paid was RMB155 million (US\$25.5 million).

In April 2014, we acquired a minority stake in Tongcheng Network Technology Share Co., Ltd., or LY.com, a leading local attraction ticket service provider, for an aggregate cash consideration of RMB1.4 billion (US\$228 million).

In September 2014, we acquired certain premises with an aggregate sellable gross floor area of 100,167 square meters and certain auxiliary facilities in Sky SOHO from SOHO (Shanghai) Investment Co., Ltd. for a total consideration of approximately RMB3 billion (US\$490 million).

In November 2014, we formed a strategic partnership with Royal Caribbean, through a joint venture, which is designed to serve the Chinese cruise market and operate one cruise ship, and Royal Caribbean and we each own 35% of the equity stake of the joint venture.

In January 2015, we completed an investment transaction acquiring a majority stake in Travelfusion Limited, a UK-based leading online Low Cost Carrier travel content aggregator and innovator of Direct Connect global distribution solutions.

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 vice chairman of the board and president, Min Fan and our officers, Dongjie

Guo and Maohua Sun all of whom are PRC citizens, directly or indirectly own all or most of the equity interests in our affiliated Chinese entities as of the date of this report.

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, except for Hong Kong and Macau aviation marketing agencies.

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, starting from January 1, 2013, travel agencies in which Hong Kong or Macau qualified investors hold an interest are permitted to arrange group travel for the residents in local regions from mainland China to Hong Kong and Macau and on trial basis, one qualified sino-foreign joint venture, in which Hong Kong qualified investors hold an interest, and one qualified sino-foreign joint venture, in which Macau qualified investors hold an interest, are permitted to arrange group travel for domestic residents to travel overseas, which does not include Hong Kong, Macau and Taiwan. On August 29, 2010, 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, Hong Kong and Macau, on a trial basis, except for Taiwan.

Online Advertising. The principal regulations governing foreign ownership of advertising agencies in China are the Foreign Investment Industrial Guidance Catalogue as amended in 2015, which will come into effect on April 10, 2015, 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 (2015).

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 MIIT, 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.

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General Regulation of Businesses

Tourism Law. On April 25, 2013, the Standing Committee of the National People’s Congress of the PRC issued the Tourism Law of the PRC, or the Tourism Law, which took effect on October 1, 2013. The Tourism Law aims to protect the tourists’ legal rights, regulate tourism market and promote the development of tourism industry and sets forth specific requirements for the operation of travel agencies. The travel agencies are prohibited from (i) leasing, lending or illegally transferring travel agency operation licenses, the information published by travel agencies to attract and organize customers must be true and accurate, (ii) conducting any false publicity to mislead customers, (iii) arranging visits to or participation in any project or activity in violation of the laws and regulations of the PRC or social morality, (iv) organizing tourism activities at unreasonably low price to induce or cheat tourists, and obtaining unlawful profits such as kickbacks by shopping arrangements or tour items paid separately, and (v) specifying shopping venues or arranging tour items paid separately when organizing and receiving tourists, except for those negotiated by the parties or demanded by the customers, which in any event should not affect the itineraries of other customers. In addition, travel agencies shall conclude contracts with customers for tourism activities; and before the start of the itinerary, customers may transfer their personal rights and obligations in the package tour contract to any third person, whom the travel agency shall not refuse without justifiable reasons, and any increased fees shall be borne by the customer and relevant third persons. Accordingly, travel agencies may be subject to civil liabilities for failing to fulfill the obligations discussed above, which include rectification, issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operation, or revocation of its travel agency permit. Furthermore, if a travel agency arranges shopping venues in violation of the Tourism Law, customers have the right, within 30 days after the end of the itinerary, to demand that the travel agencies handle the return of any purchased goods and make advance payment for the returned goods, or return the fees for any tour items paid separately.

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).

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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.

Internet Privacy

In recent years, PRC government authorities have legislated on the use of the Internet to protect personal information from unauthorized disclosure. For example, the Internet Measures prohibits an Internet information services provider from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. Internet information services providers are subject to legal liability if unauthorized disclosure results in damages or losses to users. In addition, the PRC regulations authorize the relevant telecommunications authorities to demand rectification of unauthorized disclosure by Internet information services providers.

The PRC laws do not prohibit Internet information services providers from collecting and analyzing person information of their users. The PRC government, however, has the power and authority to order Internet information services providers to submit personal information of an Internet user if such user posts any prohibited content or engages in illegal activities on the Internet. However, PRC criminal law prohibits companies and their employees from illegally trading or disclosing customer data obtained through the course of their business operations.

In addition, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, which became effective as of March 15, 2012. This regulation stipulates that Internet information services providers must not, without users' consent, collect information on users that can be used, alone or in combination with other information, to identify the user, or User Personal Information, and may not provide any User Personal Information to third parties without prior user consent. Internet information services providers may only collect User Personal Information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such User Personal Information. In addition, an Internet information services provider may use User Personal Information only for the stated purposes under its scope of services. The Internet information services providers are also required to ensure the proper security of User Personal Information, and take immediate remedial measures if User Personal Information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, they must immediately report the incident to the telecommunications regulatory authorities and cooperate with the authorities in their investigations. Furthermore, on December 28, 2012, the Standing Committee of the National People's Congress enacted the Decision to Enhance the Protection of Network Information, or the Information Protection Decision, to further enhance the protection of users' personal information in electronic form. The Information Protection Decision provides that Internet information services providers must expressly inform their users of the purpose, manner and scope of their collection and use of users' personal information, publish their standards for their collection and use of users' personal information, and collect and use users' personal information only with the consent of the users and only within the scope of such consent. The Information Protection Decision also mandates that the Internet information services providers and their employees must keep strictly confidential users' personal information that they collect, and that they must take such technical and

other measures as are necessary to safeguard the information against disclosure, damages and loss. Pursuant to the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes.

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.

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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. Other than these discussed above, none of the Company's PRC subsidiaries had any outstanding loans as of December 31, 2014. 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.

SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or Circular 142, on August 29, 2008. Under Circular 142, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC. In addition, foreign-invested companies may not change how they use such capital without SAFE's approval, and may not in any case use such capital to repay RMB loans if they have not used the proceeds of such loans. In addition, to strengthen Circular 142, on November 9, 2011 the SAFE promulgated the Circular on Further Clarifying and Regulating Relevant Issues Concerning the Administration of Foreign Exchange under Capital Account, or Circular 45, which prohibits a foreign invested company from converting its registered capital in foreign exchange currency into RMB for the purpose of making domestic equity investments, granting entrusted loans, repaying inter-company loans, and repaying bank loans that have been transferred to a third party. Circular 142 and Circular 45 may significantly limit our ability to transfer the net proceeds from offerings of our securities to our PRC subsidiaries and convert the net proceeds into RMB, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

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

- The Foreign Investment Enterprise Law (1986), as amended in 2000;
- Administrative Rules under the Foreign Investment Enterprise Law (2001) , as amended in 2014;
- Company Law of the PRC (2005), as amended in 2014; 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.

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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, 2014:

Name	Country of Incorporation	Ownership Interest
C-Travel International Limited	Cayman Islands	100%
Ctrip.com (Hong Kong) Limited	Hong Kong	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%
HKWOT (BVI) Limited	BVI	100%
ezTravel Co., Ltd.	Taiwan	97%
China Software Hotel Information System Co., Ltd.	China	62%

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, Ctrip Insurance, Chengdu Ctrip and Chengdu Ctrip International as of December 31, 2014. In early 2013, we amended and restated the contractual arrangements that we previously entered into with our consolidated affiliated Chinese entities in order to further strengthen our ability to control these entities and receive substantially all of the economic benefits from them. We plan to enter into the same series of agreements with all of our future affiliated Chinese entities.

As of the date of this report, Min Fan, our co-founder, vice chairman of the board and president, Dongjie Guo, our senior vice president, and Maohua Sun, our senior vice president, are principal record owners of our affiliated Chinese entities. Each of them has signed an irrevocable power of attorney to appoint Ctrip Computer Technology or its designated person, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of our affiliated Chinese entities. Each power of attorney will remain effective during the existence of the applicable affiliated Chinese entity.

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, Chongqing, Lijiang, Xi'an, Tianjin, Japan, Korea and Thailand. 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, was approximately RMB447 million. 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, and built our regional head office on this land. The construction commenced in 2011 and was completed in the early 2014. The total investment including the land use right was approximately RMB270 million (US\$45 million). In 2012, we completed the purchase of a part of an office building in Shanghai for approximately RMB392 million (US\$63 million) and an office building of approximately 8,857 square meters in Beijing for approximately RMB160 million (US\$26 million). In 2013, we entered into an agreement to purchase an office building in Shanghai for approximately RMB590 million (US\$97 million) including related taxes, of which RMB264 million (US\$44 million) have been paid. The purchase was completed in 2014. In September 2014, we acquired certain premises with an aggregate sellable gross floor area of 100,167 square meters and certain auxiliary facilities in Sky SOHO from SOHO (Shanghai) Investment Co., Ltd. for a total consideration of approximately RMB3 billion (US\$490 million). All of the abovementioned amounts were fully paid from our operating cash flow.

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ITEM 4A UNRESOLVED STAFF COMMENTS

None.

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 “G. Safe Harbor” 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 2014, we derived 41%, 38%, 14%, 5% and 2% of our total revenues from our accommodation reservation, transportation 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 26, 2015, the gross domestic product, or GDP, of China grew from RMB39.8 trillion (US\$6.0 trillion) in 2010 to RMB63.6 trillion (US\$10.3 trillion) in 2014, representing a compound annual growth rate of 12.5%. GDP per capita in the same period rose from RMB29,678 (US\$4,497) to RMB46,531 (US\$7,499), representing a 11.9% 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 26, 2015, domestic tourism spending grew from RMB1,258.0 billion (US\$190.6 billion) in 2010 to RMB3,031.2 billion (US\$488.5 billion) in 2014, representing a compound annual growth of 24.6%. 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 ebola virus, HIN1 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;
- political unrest;
- 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.

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See also “Item 3. Key Information — D. Risk Factors — The recurrence of SARS or other similar outbreaks of contagious diseases as well as natural disasters may materially and adversely affect our business and operating results.”

Any future outbreak of 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. Public policy regarding, or governmental 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 RMB3.1 billion in 2010 to RMB7.8 billion (US\$1.3 billion) in 2014, representing a compound annual growth rate of 26.2%.

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

	Year-Ended December 31,		
	2012	2013	2014
Revenues:			
Accommodation reservation	39%	39%	41%
Transportation Ticketing	38%	38%	38%
Packaged-tour*	16%	16%	14%
Corporate travel	4%	5%	5%
Others	3%	2%	2%
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 transportation 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.

Accommodation Reservation. Revenues from our accommodation reservation business have been our primary source of revenues since our inception. In 2012, 2013 and 2014, revenues from our accommodation reservation business accounted for RMB1.7 billion, RMB2.2 billion and RMB3.2 billion (US\$516 million), respectively, or 39%, 39% and 41%, respectively, of our total revenues.

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

Transportation Ticketing. Since early 2002, our transportation ticketing business has been growing rapidly. In 2012, 2013 and 2014, revenues from our transportation ticketing business accounted for RMB1.7 billion, RMB2.2 billion and RMB3.0 billion (US\$475 million), respectively, or 38%, 38% and 38%, respectively, of our total revenues.

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

Packaged-tour. Our packaged-tour business has grown rapidly in the past three years. In 2012, 2013 and 2014, revenues from our packaged-tour business accounted for RMB690 million, RMB936 million and RMB1.1 billion (US\$170 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.

Corporate Travel. Corporate travel revenues primarily include commissions from transportation ticket booking, accommodation reservation and packaged-tour services rendered to corporate clients. In 2012, 2013 and 2014, revenues from our corporate travel services accounted for RMB200 million, RMB267 million and RMB373 million (US\$60 million), respectively. Commissions from transportation ticketing services rendered are recognized after transportation tickets are issued. Commissions from accommodation reservation services rendered are recognized after hotel customers have completed their stay at the applicable hotel and upon confirmation of commissions amount by the hotel. Commissions from tour package services rendered are recognized after the packaged-tour services are rendered and collections are reasonably assured.

Other Products and Services. Our other products and services primarily consist of online advertising services, the sale of PMS and related maintenance service. We place our customers’ advertisements on our websites and in our introductory brochures. We conduct the advertising business through Ctrip Commerce, and we recognize revenues when Ctrip Commerce renders advertising services. We conduct PMS sale and maintenance business through 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.

Cost of Revenues

Cost of revenues are costs directly attributable to rendering our revenues, which consist primarily of payroll compensation of customer service center personnel, credit card service fee, telecommunication expenses and other direct expenses incurred in connection with our transaction and service platform. Payroll compensation accounted for 61%, 59% and 58% of our cost of revenues in 2012, 2013 and 2014, respectively. Credit card charges accounted for 19%,

19% and 19% of our cost of revenues in 2012, 2013 and 2014, respectively. Telecommunication expenses accounted for 9%, 8% and 7% of our cost of revenues in 2012, 2013 and 2014, respectively.

Cost of revenues accounted for 25%, 26% and 29% of our net revenues in 2012, 2013 and 2014, 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 2014 was largely due to the increase in customer service personnel and the increases in the average payroll and benefit.

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 2014, we recorded RMB497 million (US\$80 million) of share-based compensation expense compared to RMB432 million and RMB438 million for 2012 and 2013, 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 maintain, monitor and manage our transaction and service platform. Product development expenses accounted for 22%, 23% and 32% of our net revenues in 2012, 2013 and 2014, respectively. The product development expenses as a percentage of net revenues in 2014 increased compared to that in 2013 primarily due to the increases in the number of information technology and engineering personnel and the average payroll. In 2014, we increased expenditure on product development in response to competitive pressure in order to capture more business opportunities in new products and services as well as in new markets.

Sales and marketing expenses primarily comprise payroll compensation and benefits for our sales and marketing personnel, advertising expenses, and other related marketing and promotion expenses. Our sales and marketing expenses accounted for 24%, 24% and 30% of our net revenues in 2012, 2013 and 2014, respectively. The sales and market expenses as a percentage of net revenues in 2014 increased primarily due to increases in advertising expenses, marketing and promotion expenses.

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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 14%, 12% and 12% of our net revenues in 2012, 2013 and 2014, respectively. The general and administrative expenses as a percentage of net revenues in 2014 remained consistent with that in 2013.

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 31%, 26% and 97% for 2012, 2013 and 2014, 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 increase in our effective income tax rate from 2011 to 2012 was primarily due to the provision of a 5% PRC withholding tax related to the dividends that our PRC subsidiaries paid to their direct parent, which is our Hong Kong subsidiary to fund the share repurchase program we announced in June 2012, and the increase in the amount of share-based compensation, which is not tax-deductible, as a percentage to our income before income tax expense as a whole. This was partially offset by the preferential tax treatment of certain affiliated Chinese entities. The significant increase in our effective income tax rate from 2013 to 2014 was primarily due to an increase in valuation allowance against certain deferred tax assets due to more tax losses generated from some subsidiaries in 2014 that are not expected to be recovered.

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, Chengdu Information, which are our subsidiaries, and Chengdu Ctrip and Chengdu Ctrip International; all of which are our consolidated affiliated Chinese entities.

- In 2013, 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 2013 to 2015.

- 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 new EIT law, Shenzhen Ctrip was entitled to a transitional tax rate which gradually increased to 25% from 2008 to 2012. The applicable tax rate for Shenzhen Ctrip in 2012, 2013 and 2014 was 25%, 25% and 25%, respectively.
- In 2002, China's SAT started to implement preferential tax policy in China's western region, and companies located in applicable jurisdictions covered by the Catalogue of Encouraged Industries in the Western Region (initially effective through the end of 2010 and further extended to 2020) are eligible to apply for a preferential income tax rate of 15% if their businesses fall within the "encouraged" category of the policy. Over the years since 2012, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% tax rate for their annual tax filing subject to periodic renewals. The two entities re-applied for this qualification after the effective period expired in 2014 and their applications were approved by the relevant government authority. In 2013, Chengdu Information obtained approval from local tax authorities to apply the 15% tax rate for 2012 tax filing and for the year from 2013 to 2016.

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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" was required to switch from being a business tax payer to become a value-added tax ("VAT") payer, who is permitted to offset expenses incurred in providing the relevant services it provides from the taxable income. In May 2013, the Ministry of Finance released Circular Caishui [2013] No. 37 to extend the tax reform nationwide. Effective August 1, 2013, entities within transportation service and selected modern service industries switched from a business tax payer to a value-added tax ("VAT") payer. Ctrip Travel Network and Shanghai Commerce have been subject to VAT at a rate of 6% and stopped paying the 5% business tax from January 1, 2012 onwards. We do not expect this change to have a material impact on our consolidated results of operations.

Financial Subsidies. In 2012, 2013 and 2014, our subsidiaries in China received financial subsidies from the government authorities in Shanghai in the amount of approximately RMB90 million, RMB120 million and RMB132 million (US\$21 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 and Estimates

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, disclosures of contingent assets and liabilities on the date of the balance sheet 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. We present revenues on a net basis generally. Revenues are recognized at gross amounts received from customers in cases where we undertake the majority of the business risks and act as principal related to the services provided. The amount of revenues recognized at gross basis was immaterial during the years ended December 31, 2014, 2013 and 2012, respectively.

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 consolidated statements of comprehensive income.

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. The assessment of the fair values for the investment classified as "available for sale" required significant estimates, which includes estimating the future cash flows, determining appropriate discount rates and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. 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 2012, 2013 and 2014, 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, 2012, 2013 and 2014, 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.

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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, 2012, 2013 and 2014, our accrued balance for the customer rewards program were approximately RMB218 million, RMB285 million and RMB431 million (US\$69 million), respectively. Our expenses for the customer rewards program were approximately RMB 157 million, RMB203 million and RMB355 million (US\$57 million) for the years ended December 31, 2012, 2013 and 2014. 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, 2012, 2013 and 2014, we recorded deferred tax assets of RMB62 million, RMB97 million and RMB194 million (US\$31 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, 2012, 2013 and 2014, it is more likely than not that the deferred tax assets resulting from the net operating losses of certain subsidiaries 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.

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 collectability of all significant accounts; and (ii) any specific knowledge we have acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require us to use substantial judgment in assessing its collectability. As of the end of December 31, 2012, 2013 and 2014, the allowance for doubtful accounts was RMB4.4 million, RMB5.9 million and RMB14.7 million (US\$2.4 million), respectively. The increase of allowance for doubtful accounts in 2014 was primarily attributable to the prolonged ageing of accounts receivables.

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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,					
	2012		2013		2014	
	RMB (in thousands)	%	RMB (in thousands)	%	RMB (in thousands)	US\$ (in thousands)
Revenues:						
Accommodation reservation	1,702,501	41	2,214,171	41	3,201,427	515,976
Transportation ticketing	1,690,286	41	2,161,784	40	2,950,072	475,465
Packaged-tour	689,661	17	935,685	17	1,055,369	170,095
Corporate travel	199,756	5	266,989	5	373,407	60,182
Others	126,988	3	138,389	3	192,282	30,991
Total revenues	4,409,192	106	5,717,018	106	7,772,557	1,252,709
Less: Business tax and related surcharges	(250,401)	(6)	(330,272)	(6)	(425,639)	(68,601)

Net revenues	4,158,791	100	5,386,746	100	7,346,918	1,184,108	100
Cost of revenues	(1,037,791)	(25)	(1,386,767)	(26)	(2,100,606)	(338,556)	(29)
Gross profit	3,121,000	75	3,999,979	74	5,246,312	845,552	71
Operating expenses:							
Product development ⁽¹⁾	(911,905)	(22)	(1,245,719)	(23)	(2,321,349)	(374,134)	(32)
Sales and marketing ⁽¹⁾	(984,002)	(24)	(1,269,413)	(24)	(2,214,210)	(356,866)	(30)
General and administrative ⁽¹⁾	(570,487)	(14)	(646,405)	(12)	(861,551)	(138,856)	(11)
Total operating expenses	(2,466,394)	(59)	(3,161,537)	(59)	(5,397,110)	(869,856)	(73)
Income / (loss) from operations	654,606	16	838,442	15	(150,798)	(24,304)	(2)
Interest income	177,144	4	200,069	4	304,584	49,090	4
Interest expense	(11,333)	0	(57,044)	(1)	(162,355)	(26,167)	(2)
Other income	130,288	3	163,122	3	144,006	23,210	2
Income before income tax expense equity in income of affiliates and non-controlling interest	950,694	23	1,144,589	21	135,437	21,829	2
Income tax expense	(294,526)	(7)	(293,740)	(5)	(130,821)	(21,085)	(2)
Equity in income of affiliates	34,343	1	55,554	1	87,006	14,023	1
Net Income	690,511	17	906,403	17	91,622	14,767	1
Less: Net loss attributable to non-controlling interests	23,895	1	91,917	2	151,117	24,356	2
Net income attributable to Ctrip's shareholders	714,406	17	998,320	19	242,739	39,123	3

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

	For the Year Ended December 31,					
	2012		2013		2014	
	RMB (in thousands)	%	RMB (in thousands)	%	RMB (in thousands)	US\$ (in thousands)
Product development	(132,583)	(3)	(138,668)	(3)	(184,665)	(29,763)
Sales and marketing	(55,892)	(1)	(49,105)	(1)	(54,392)	(8,766)
General and administrative	(243,246)	(6)	(250,157)	(5)	(257,587)	(41,516)

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.

2014 compared to 2013

Revenues

Total revenues were RMB7.8 billion (US\$1.3 billion) in 2014, an increase of 36% over RMB5.7 billion in 2013. This revenues growth was principally driven by the substantial volume growth in hotel room nights sold and air tickets and railway tickets sold in 2013.

Accommodation Reservation. Revenues from our accommodation reservation business increased by 45% to RMB3.2 billion (US\$516 million) in 2014 from RMB2.2 billion in 2013, primarily driven by an increase of 62% in hotel room nights sold and partially offset by a decrease in blended commission per room night. Decrease in blended commission per room night is mainly due to the promotional activities we launched for selected hotels mainly in the forms of e-coupons and group buys.

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Transportation Ticketing. Revenues from our transportation ticketing business increased by 36% to RMB3.0 billion (US\$475 million) in 2014 from RMB2.2 billion in 2013, primarily due to the strong growth of our air tickets and railway tickets sales volume as we continued to significantly expand our transportation ticketing capabilities in 2014. The total number of tickets we sold in 2014 increased by 90% from 2013.

Packaged-tour. Packaged-tour revenues increased by 13% to RMB1.1 billion (US\$170 million) in 2014 from RM936 million in 2013, primarily due to the continued growth of our packaged-tour business product and service offerings. Total package-tour volume increased by 47% from 2013.

Corporate Travel. Corporate travel revenues increased by 40% to RMB373 million (US\$60 million) in 2014 from RMB267 million in 2013, primarily due to the increased corporate travel demand from our corporate clients.

Other Businesses. Revenues from other businesses increased by 39% to RMB192 million (US\$31 million) in 2014 from RMB138 million in 2013, primarily due to the increased revenues from advertising services.

Business tax and related surcharges

Our business tax and related surcharges increased by 29% to RMB426 million (US\$69 million) in 2014 from RMB330 million in 2013 as a result of the increases in revenues in all of our business lines.

Cost of Revenues

Cost of revenues in 2014 increased by 51% to RMB2.1 billion (US\$339 million) from RMB1.4 billion in 2013, primarily due to an increase in credit card service fee payable to third-party payment settlement channels such as UnionPay and the number of customer service personnel. This increase was primarily attributable to increased costs associated with the expansion of our accommodation reservation business and the rapid growth of packaged-tour businesses and ticketing.

Operating Expenses

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

Product Development. Product development expenses increased by 86% to RMB2.3 billion (US\$374 million) in 2014 from RMB1.2 billion in 2013, primarily due to an increase in the number of product development personnel to over 10,000 employees in 2014 from approximately 6,000 employees in 2013 as we expanded our businesses, as well as an increase in the average payroll and share-based compensation to our product development personnel.

Sales and Marketing. Sales and marketing expenses increased by 74% to RMB2.2 billion (US\$357 million) in 2014 from RMB1.3 billion in 2013, primarily attributable to the increase in advertising expenses, marketing and promotion expenses.

General and Administrative. General and administrative expenses increased by 33% to RMB862 million (US\$139 million) in 2014 from RMB646 million in 2013, primarily due to the increase in general and administrative personnel compensation expenses.

Equity in income of affiliates

Equity in income of affiliates increased by 57% to RMB87 million (US\$14 million) in 2014 from RMB56 million in 2013 mainly due to the net impact of investment gain as a result of equity dilution in the investee, and the increase in proportional equity pick-up of the investment in Homeinns' results of operations. In 2014, the Company recognized gain as a result of the equity dilution impact in Homeinns with amount of RMB 12 million.

Interest Income

Interest income increased by 52% to RMB305 million (US\$49 million) in 2014 from RMB200 million in 2013 due to the increased cash generated from operations in 2014.

Interest Expense

Interest expense increased by 185% to RMB162 million (US\$26 million) in 2014 from RMB57 million in 2013 due to the issuance of Priceline Notes and the increase of the loan facilities in 2014.

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Other Income

Other income decreased by 12% to RMB144 million (US\$23 million) in 2014 from RMB163 million in 2013, due to the combined effects from the increases in foreign exchange loss, provision of other than temporary impairment on long term investment and bank charges, offset by the increase of government subsidies, dividend received from the cost method investment and the gain from the re-measurement of previously held equity interest in the step acquisition.

Income Tax Expense

Income tax expense was RMB131 million (US\$21 million) in 2014, a decrease of 55% over RMB294 million in 2013, primarily due to the decrease in our taxable income. Our effective income tax rate in 2014 was 97%, as compared to 26% in 2013, primarily due to an increase in valuation allowance against certain deferred tax assets due to more tax losses generated from some subsidiaries in 2014 that are not expected to be recovered. See “— Major Factors Affecting Our Results of Operations — Income Taxes and Financial Subsidies.”

2013 compared to 2012

Revenues

Total revenues were RMB5.7 billion (US\$944 million) in 2013, an increase of 30% over RMB4.4 billion in 2012. This revenues growth was principally driven by the substantial volume growth in hotel room nights sold and air tickets sold in 2012.

Accommodation Reservation. Revenues from our accommodation reservation business increased by 30% to RMB2.2 billion (US\$366 million) in 2013 from RMB1.7 billion in 2012, primarily driven by an increase of 46% in hotel room nights sold and partially offset by 11% decrease in blended commission per room night. Decrease in blended commission per room night is mainly due to the promotional activities we launched for selected hotels mainly in the forms of e-coupons and group buys.

Transportation Ticketing Services. Revenues from our transportation ticketing services business increased by 28% to RMB2.2 billion (US\$357 million) in 2013 from RMB1.7 billion in 2012, primarily due to strong growth of air tickets sales volume as we continued to significantly expand our transportation ticketing capabilities in 2013. The total number of air tickets sold in 2013 increased by 33% from 2012.

Packaged-tour. Packaged-tour revenues increased by 36% to RMB936 million (US\$155 million) in 2013 from RM690 million in 2012, primarily due to the continued growth of our packaged-tour business product and service offerings.

Corporate Travel. Corporate travel revenues increased by 34% to RMB267 million (US\$44 million) in 2013 from RMB200 million in 2012, primarily due to the increased corporate travel demand from our corporate clients.

Other Businesses. Revenues from other businesses increased by 9% to RMB138 million (US\$23 million) in 2013 from RMB127 million in 2012, primarily due to the increased revenues from advertising services.

Business tax and related surcharges

Our business tax and related surcharges increased by 32% to RMB330 million (US\$55 million) in 2013 from RMB250 million in 2012 as a result of the increases in revenues in all of our business lines.

Cost of Revenues

Cost of revenues in 2013 increased by 34% to RMB1,387 million (US\$299 million) from RMB1,038 million in 2012. This increase was primarily attributable to increased costs associated with the rapid growth of transportation ticketing and packaged-tour businesses and the expansion of our accommodation reservation business. Additionally, our customer service personnel increased over 14,000 in 2013 from approximately 10,000 in 2012 and their average payroll and benefits also increased in 2013.

Operating Expenses

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

Product Development. Product development expenses increased by 37% to RMB1,246 million (US\$206 million) in 2013 from RMB912 million in 2012, primarily due to an increase in the number of product development personnel to over 6,000 employees in 2013 from approximately 4,700 employees in 2012 as we expanded our transportation ticketing and packaged-tour businesses, as well as an increase in the average payroll and share-based compensation to our product development personnel.

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Sales and Marketing. Sales and marketing expenses increased by 29% to RMB1,269 million (US\$210 million) in 2013 from RMB984 million in 2012, primarily attributable to the increase in advertising expenses, marketing and promotion expenses and the increase of salary, benefit expenses of our sales and marketing personnel.

General and Administrative. General and administrative expenses increased by 13% to RMB646 million (US\$107 million) in 2013 from RMB570 million in 2012, primarily due to the increase in general and administrative personnel compensation expenses and the incremental turnover tax due to the new value-added tax reform.

Equity in income of affiliates

Equity in income of affiliates increased by 62% to RMB56 million (US\$9 million) in 2013 from RMB34 million in 2012 mainly due to the net impact of investment gain as a result of equity dilution in the investee, and the increase in proportional equity pick-up of the investment in Homeinns' results of operations.

Interest Income

Interest income increased by 14% to RMB200 million (US\$33 million) in 2013 from RMB176 million in 2012 due to the increased interest rate and increased cash generated from operations in 2013.

Interest Expense

Interest expense increased by 449% to RMB57 million (US\$9 million) in 2013 from RMB10 million in 2012 due to the issuance of 2018 Convertible Notes and the increase of the loan facilities in 2013.

Other Income

Other income increased by 25% to RMB163 million (US\$27 million) in 2013 from RMB130 million in 2012, primarily due to increases in government subsidy in 2013.

Income Tax Expense

Income tax expense was RMB294 million (US\$49 million) in 2013 and RMB295 million in 2012. Our effective income tax rate in 2013 was 26%, as compared to 31% in 2012, primarily because we accrued the provision of 5% PRC withholding tax related to the dividends that our PRC subsidiaries would pay to our Hong Kong subsidiary to fund the share repurchase program in 2012. See “— Major Factors Affecting Our Results of Operations — Income Taxes and Financial Subsidies.”

Inflation

Inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2012, 2013 and 2014 were increases of 2.5%, 2.5% and 1.5%, respectively. Inflation in recent years has been associated with food and other consumption items and minimum wages in China. Consumption items do not represent major direct cost items for our business. While personnel costs represent a material part of our total operating costs and expenses, inflation in minimum wages in China primarily affects certain categories of our non-managerial staff costs while increases in total personnel costs of our business remain manageable. 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,			
	2012	2013	2014	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash provided by operating activities	1,654,368	2,452,827	1,958,604	315,670
Net cash used in investing activities	(1,239,904)	(4,086,144)	(9,366,411)	(1,509,591)
Net cash (used in)/provided by financing activities	(515,564)	5,315,975	5,422,195	873,899
Effect of foreign exchange rate changes on cash and cash equivalents	19,205	34,154	148,155	23,878
Net (decrease) / increase in cash and cash equivalents	(81,895)	3,716,812	(1,837,457)	(296,144)
Cash and cash equivalents at beginning of year	3,503,428	3,421,533	7,138,345	1,150,492
Cash and cash equivalents at end of year	3,421,533	7,138,345	5,300,888	854,348

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Net cash provided by operating activities amounted to RMB2 billion (US\$316 million) in 2014, which was primarily attributable to (i) our net income of RMB91.6 million (US\$14.8 million) in 2014; (ii) an add-back of RMB443.2 million (US\$71.4 million) in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iii) an increase in advances from customers of RMB1.5 billion (US\$236.8 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; (iv) an increase in accounts payable of RMB586 million (US\$94.4 million), primarily due to the increased volume of transportation ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers; (v) an increase in other payables and accruals of RMB438.2 million (US\$70.6 million), primarily due to the increase in advertising expenses and deposits from agents and tour customers; (vi) an increase in salary and welfare payable of RMB259.4 million (US\$41.8 million), primarily due to the increase in the number of personnel and the average payroll and the increase in accrued annual bonus; and (vii) an increase in accrued liability for customer reward program of RMB 146.2 million (US\$ 23.6 million), primarily due to the increased volume of transportation ticketing and packaged-tour services purchased by our customers, which in return increased the accumulate membership points. These increases were partially offset by (i) an increase in prepayments and other current assets of RMB1.2 billion (US\$196.3 million), primarily due to the increased demand for packaged-tour services and increased volume of transportation ticket booking, as we generally pay advance to our packaged-tour services suppliers and to third-party payment platforms for their transportation ticket services, respectively; and (ii) an increase in accounts receivable of RMB262 million (US\$42.2 million), primarily due to the increased volume of corporate travel management services, as we normally provide our corporate customers with certain credit terms for the full payments of issued transportation tickets and issued and reserved hotel rooms, as well as the increased volume of credit card payments from our individual customers for transportation ticket booking.

Net cash provided by operating activities amounted to RMB2.5 billion (US\$405 million) in 2013, which was primarily attributable to (i) our net income of RMB906.4 million (US\$149.7 million) in 2013; (ii) an add-back of RMB477.7 million (US\$78.9 million) in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iii) an increase in accounts payable of RMB537.7 million (US\$88.8 million), primarily due to the increased volume of transportation ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers; (iv) an increase in advances from customers of RMB1,001.7 million (US\$165.5 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 RMB487.4 million (US\$80.5 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 transportation tickets issued and hotel rooms reserved, and the increased volume of credit card payments from our individual customers for transportation ticket booking.

Net cash provided by operating activities amounted to RMB1.7 billion (US\$266 million) in 2012, which was primarily attributable to (i) our net income of RMB690.5 million (US\$110.8 million) in 2012; (ii) an add-back of RMB430.2 million (US\$69.1 million) in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iii) an increase in accounts payable of RMB255.2 million (US\$41 million), primarily due to the increased volume of transportation ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers; (iv) an increase in advances from customers of RMB310.5 million (US\$50 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 RMB193.9 million (US\$31.1 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 transportation tickets issued and hotel rooms reserved, and the increased volume of credit card payments from our individual customers for transportation ticket booking.

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 RMB9.4 billion (US\$1.5 billion) in 2014, compared to net cash used in investing activities of RMB4.1 billion in 2013. This increase in 2014 was primarily due to the increase of short-term investment and the increase of investments and acquisitions occurred in the year, such as the investments in LY.com, Tuniu and Skyseas, and the purchase of certain premises and auxiliary facilities in Sky SOHO from SOHO (Shanghai) Investment Co., Ltd and the cruise ship purchased by Skyseas from Royal Caribbean before it was deconsolidated. Net cash used in investing activities amounted to RMB4.1 billion in 2013, compared to net cash used in investing activities of RMB1.2 billion in 2012. This increase in 2013 was primarily due to the increase of short-term investment, the increase of acquisition and the construction or renovation of our office buildings in Chengdu and Shanghai.

Net cash provided by financing activities amounted to RMB5.4 billion (US\$874 million) in 2014, compared to net cash provided by financing activities of RMB5.3 billion in 2013 and net cash used by financing activities of RMB515.6 million in 2012. We did not make any dividend payment in 2012, 2013 and 2014. The change of net cash flow in financing activities in 2014 was mainly due to the offering of convertible notes with a principal amount of US\$500

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Capital Resources

As of December 31, 2014, our principal sources of liquidity have been cash generated from operating activities, short-term borrowings from third-party lenders, as well as the proceeds we received from our public offerings of ordinary shares and our offerings of convertible senior notes. Our cash and cash equivalents consist of cash on hand and liquid investments which are unrestricted as to withdrawal or use. Our financing activities consist of issuance and sale of our shares and convertible senior notes to investors and related parties and short-term borrowings from third-party lenders. As of the date of this annual report, we had convertible senior notes with an outstanding principal amount of US\$1.4 billion and a term loan facility with an outstanding principal of US\$504.8 million. 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, 2014, our primary capital commitment was RMB70 million (US\$11 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, 2014 to December 31, 2014 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, 2014, the amount under these guarantee arrangements was approximately RMB884 million (US\$143 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, 2014:

	Total	Less Than 1 Year	1-3 Years (in RMB thousands)	3-5 Years	More Than 5 Years
Convertible senior notes with principal and interest	8,904,762	95,579	619,111	8,190,072	—
Term Loans with principal and interest	3,135,361	3,135,361	—	—	—
Operating lease obligations	379,207	170,867	159,615	34,623	14,102
Purchase obligations	328,898	324,620	4,278	—	—
Total	12,748,228	3,726,427	783,004	8,244,695	14,102

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Our 2017 Notes will mature in September 2017, unless earlier repurchased or converted into our ADSs based on an initial conversion price of 51.7116 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2017 Notes bear interest at a rate of 0.5% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2013.

Our 2018 Notes will mature in October 2018, unless earlier repurchased or converted into our ADSs based on an initial conversion price of 12.7568 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2018 Notes bear interest at a rate of 1.25% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014.

The Priceline Note will mature will mature in August 2019, unless earlier repurchased or converted into our ADSs based on an initial conversion price of 12.2911 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2018 Notes with an interest rate of 1.00% per year that accrues annually from August 7, 2014.

As of December 31, 2014, we obtained nine borrowings of RMB1.65 billion (US\$264.9 million) in aggregate from Agricultural Bank of China collateralized by a bank deposit of RMB1.0 billion classified as short-term investment of one of our wholly-owned subsidiaries. The interest rate of borrowings is approximately from 2.3% to 2.4% per annum. We are in compliance with the loan covenant at December 31, 2014.

As of December 31, 2014, we obtained six borrowings of RMB1.5 billion (US\$237.9 million) in aggregate from China Construction Bank collateralized by bank deposits of RMB380 million and RMB480 million classified as restricted cash and short-term investment provided by one of our wholly-owned subsidiaries. The interest rate of borrowings is approximately from 2.2% to 3.0% per annum. We are in compliance with the loan covenant at December 31, 2014.

Operating lease obligations for the years 2015, 2016, 2017, 2018, 2019 and 2020 are RMB170.9 million, RMB101.5 million, RMB58.1 million, RMB23 million, RMB11.6 million and RMB14.1 million, respectively. Rental expenses amounted to approximately RMB94 million, RMB118 million and RMB144 million (US\$23 million) for the years ended December 31, 2012, 2013 and 2014, respectively. Rental expense is charged to the statements of income when incurred.

While the table above indicates our contractual obligations as of December 31, 2014, 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,” included elsewhere in this annual report on Form 20-F, including the following risks:

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- 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:

Directors and Executive Officers	Age	Position/Title
James Jianzhang Liang	45	Co-founder; Chairman of the Board and Chief Executive Officer
Min Fan	50	Co-founder; Vice Chairman of the Board and President
Jane Jie Sun	46	Chief Operating Officer
Jenny Wenjie Wu	40	Chief Strategy Officer
Xiaofan Wang	40	Chief Financial Officer
Neil Nanpeng Shen ⁽¹⁾	47	Co-founder; Independent Director
Qi Ji ⁽²⁾	48	Co-founder; Independent Director
Gabriel Li ⁽¹⁾	47	Vice Chairman of the Board, Independent Director
JP Gan ⁽¹⁾⁽²⁾	43	Independent Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

Pursuant to the currently effective articles of association of our company, our board of directors shall consist of no more than nine directors, including (i) two 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.

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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 resumed the role of chief executive officer since March 2013. He has also served as a member of our board of directors since our inception and has been the chairman of the 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 Group (NASDAQ: HMIN), Tuniu (NASDAQ: TOUR) and eHi (NASDAQ: EHIC), and serves as an independent director of Jiayuan.com International Ltd. (NASDAQ: DATE). 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. Mr. Fan has been a member of our board of director since October 2006 and has served as the vice chairman of the board since March 2013. Mr. Fan has served as our president since February 2009. He also served as our chief executive officer from January 2006 to February 2013, as our chief operating officer from November 2004 to January 2006, and 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 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 been our chief operating officer since May 2012. In March 2015, Ms. Sun was further promoted and she now serves as our co-president and chief operating officer concurrently. Ms. Sun is well-respected for her expertise in operating and managing the online travel business, financial operations, mergers and acquisitions, and investor relationship. She was the chief financial officer of our company between 2005 and 2012. She won the Best CFO Award by Institutional Investor and Best CFO Award by CFO World during that period. Prior to joining Ctrip, Ms. Sun worked as the head of the SEC and External Reporting Division of Applied Materials, Inc. since 1997. Prior to that, Ms. Sun worked with KPMG LLP as an audit manager in Silicon Valley, California for five years. Ms. Sun is a member of American Institute of Certified Public Accountants and a member of State of California Certified Public Accountant. Ms. Sun received her Bachelor’s Degree from the Business School of University of Florida with High Honors. Ms. Sun also attended Beijing University Law School and obtained her LLM degree.

Jenny Wenjie Wu has been Chief Strategy Officer of our company since November 2013. Prior to that, she served as our Chief Financial Officer between May 2012 and November 2013 and as our Deputy Chief Financial Officer between December 2011 and May 2012. Prior to joining Ctrip, Ms. Wu was an equity research analyst covering China Internet and Media industries in Morgan Stanley Asia Limited and in Citigroup Global Markets Asia Limited from 2005 to 2011. Prior to that, Ms. Wu worked in the Department of Enterprises Operations and Management in China Merchants Holdings (International) Company Limited, a company listed on the Hong Kong Stock Exchange, from 2003 to 2005. Ms. Wu also serves as a director of each of Kingsoft Corporation Limited, a Hong Kong stock exchange-listed company and Xunlei Limited, a NASDAQ-listed company and multiple private companies. 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, and 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).

Xiaofan Wang has served as our Chief Financial Officer since November 2013. Prior to that, she was 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 a Master of Business Administration from Massachusetts Institute of Technology and obtained her Bachelor's degree from Shanghai Jiao Tong University. Ms. Wang is a Certified Public Accountant (CPA).

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 Homeinns, a non-executive director of E-House (China) Holdings Limited, a director of Momo Technology Company Limited, and a director of Qihoo 360 Technology Co. Ltd. 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.

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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 and the chief executive officer of China Lodging Group, Limited, or Hanting, a leading and fast-growing multi-brand hotel group in China. He has served on the board as a director for UBOX International Holdings Co Limited ("UBOX") since June 2012. He was the chief executive officer of Homeinns 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 vice 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.

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\$1.2 million in 2014. 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 2014.

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\$3.7 million in 2014, excluding compensation paid to Min Fan and James Jianzhang Liang, who also serve and receive compensation as our executive directors. These agreements provide for terms of service, salary and additional cash compensation arrangements, all of which have been reflected in the 2014 aggregate compensation amount. See "—Employee's Stock Option Plans" for options granted to our executive officers in 2014.

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 March 31, 2015, the 2005 Plan, the 2003 Plan and the 2000 Plan have all terminated and there were 331,861 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, 4,446,655 options and 828,316 restricted share units were issued and outstanding as of March 31, 2015.

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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.

In January 2012, the compensation committee approved an option conversion, which allows all options granted under 2007 incentive plan with exercise price exceeding US\$120.00 per ordinary share, to be converted to restrict share unit (RSU) on a 4:1 ratio.

The following table summarizes, as of April 10, 2015, 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 modifications described above.

	Ordinary Shares Underlying Options Granted	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
James Jianzhang Liang	975,200	70.32; 78.56; 83.04; 87.96; 102.84; 161.96; 179.64;237.00	From November 18, 2011 to April 2, 2015	From November 18, 2019 to April 2, 2023
Min Fan	990,200	37.56; 38.16; 70.32; 78.56; 87.96; 96.7; 102.84; 161.96; 179.64;237.00	From February 13, 2007 to April 2, 2015	From February 10, 2017 to April 2, 2023
Jane Jie Sun	886,867	37.56; 38.16; 70.32; 78.56; 87.96; 96.7; 102.84; 161.96; 179.64;237.00	From February 13, 2007 to April 2, 2015	From February 10, 2017 to April 2, 2023
Jenny Wenjie Wu	*	70.32; 78.56; 87.96; 179.64;237.00	From March 28, 2012 to April 2, 2015	From March 28, 2020 to April 2, 2023
Xiaofan Wang	*	38.16; 87.96; 102.84; 161.96; 179.64;237.00	From February 10, 2009 to April 2, 2015	From February 10, 2017 to April 2, 2023
Neil Nanpeng Shen	*	38.16; 78.56; 125.16; 179.64;237.00	From February 13, 2007 to April 2, 2015	From February 10, 2017 to April 2, 2023
Qi Ji	*	38.16; 78.56; 179.64;237.00	From August 13, 2007 to April 2, 2015	From February 10, 2017 to April 2, 2023
Gabriel Li	*	38.16; 78.56; 179.64;237.00	From February 13, 2007 to April 2, 2015	From February 10, 2017 to April 2, 2023
JP Gan	*	78.56; 179.64;237.00	From January 27, 2013 to April 2, 2015	From January 27, 2021 to April 2, 2023
Total Directors and Executive Officers	3,039,836			

* Aggregate number of shares represented by all grants of options and/or restricted share units to the person account for less than 1% of our total outstanding ordinary shares.

The following table summarizes, as of April 10, 2015, the outstanding restricted share units granted under our 2005 and 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	51,700	From January 27, 2013 to January 9, 2014
Min Fan	16,733	From November 8, 2011 to January 9, 2014
Jane Jie Sun	22,350	From January 27, 2013 to January 9, 2014
Jenny Wenjie Wu	*	From January 27, 2013 to January 9, 2014
Xiaofan Wang	*	From November 18, 2011 to March 28, 2012
Neil Nanpeng Shen	*	January 27, 2013

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* Aggregate number of shares represented by all grants of options and/or restricted share units to the person account for less than 1% of our total outstanding ordinary shares.

As of April 10, 2015, other employees or consultants of our company (excluding the directors and executive officers) as a group held options to purchase 1,738,680 ordinary shares of the company, with exercise prices ranging from US\$37.56 to US\$246.04 per ordinary share and dates of grant from February 13, 2007 to December 6, 2014, as well as 733,203 restricted share units of the company.

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 although the termination does not affect the rights of the optionees who received option grants under the 2005 Plan. Options to purchase an aggregate of 331,861 ordinary shares were granted and outstanding under the 2005 Plan as of March 31, 2015.

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

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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 incentive award agreement specifies, the vesting schedules. Currently, three types of vesting schedules were adopted for the incentive awards granted under the 2007 Plan. One of the vesting schedules is that one-third of the incentive awards 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 2007 Plan and the incentive award agreement. Another type of vesting schedule is that one-fourth of the incentive awards vest every 12 months over a four-year vesting period starting from a specified vesting commencement date, subject to other terms under the 2007 Plan and the incentive award agreement. The last type of vesting schedule is that one-tenth of the incentive awards vest 12 months after a specified vesting commencement date, an additional three-tenth vest 24 months after the specified vesting commencement date, another three-tenth vest 36 months after the specified vesting commencement date and the remaining three-tenth vest 48 months after the specified vesting commencement date, subject to other terms under the 2007 Plan and the incentive award agreement.

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

Our board of directors currently consists of six directors. A director is not required to hold any shares in the company by way of qualification. Our board of directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. 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.

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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.

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. Gan and Ji, both of whom meet the "independence" definition under the NASDAQ Rules.

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, 2014, we had approximately 32,200 employees, including approximately 1,800 in management and administration, approximately 16,900 in our customer service centers, approximately 1,700 in sales and marketing, and approximately 11,800 in product development including supplier management personnel and technical support personnel. Most of our employees are based in Shanghai, Beijing, Guangzhou and Shenzhen. We consider our relations with our employees to be good.

E. Share Ownership

As of March 31, 2015, 35,509,956 of our ordinary shares were issued and outstanding (excluding the 230,262 ordinary shares that we reserved for issuance upon the exercise of our outstanding options). As of the same date, there were 4,778,516 options and 828,316 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 and restricted share units that were outstanding as of, and exercisable within 60 days after, March 31, 2015, by each of our directors and senior management. For information regarding share options and restricted share units 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.

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	Ordinary Shares Beneficially Owned ⁽¹⁾	
	Number	% ⁽²⁾
Directors and Senior Management:		
Min Fan ⁽³⁾	1,107,233	2.7%
Jane Jie Sun ⁽⁴⁾	929,049	2.3%
James Jianzhang Liang ⁽⁵⁾	750,020	1.8%
Neil Nanpeng Shen ⁽⁶⁾	*	*
Other directors and executive officers as a group, each of whom individually owns less than 0.1%	*	*
All directors and officers as a group ⁽⁷⁾	3,156,301	7.3%
Principal Shareholders:		
Priceline Entities ⁽⁸⁾	3,190,458	8.98%
Capital World Investors ⁽⁹⁾	2,920,625	8.22%
Baillie Gifford & Co (Scottish Partnership) ⁽¹⁰⁾	2,851,910	8.03%
T. Rowe Price Associates, Inc. ⁽¹¹⁾	2,098,057	5.91%

* 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 35,509,956, being the sum of the number of ordinary shares outstanding as of March 31, 2015, the number of ordinary shares underlying share options held by such person or group that were exercisable within 60 days after March 31, 2015, and the number of ordinary shares in the form of ADSs assuming full conversion of notes held by such person or group to ADSs at the initial conversion rate.
- (3) Includes 228,600 ordinary shares held by Perfectpoint International Limited, a British Virgin Islands company owned by Mr. Fan and 814,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after March 31, 2015 held by Mr. Fan and 64,633 ordinary shares in the form of ADSs assuming full conversion of US\$5,000,000 notes that Mr. Fan holds to ADSs at the initial conversion price.
- (4) Includes 152,483 ordinary shares held by Ms. Sun and 582,667 ordinary shares that were issuable upon exercise of options exercisable within 60 days after March 31, 2015 and 193,899 ordinary shares in the form of ADSs assuming full conversion of US\$15,000,000 notes that Ms. Sun holds to ADSs at the initial conversion price.
- (5) Includes 237,371 ordinary shares held by Mr. Liang and 318,750 ordinary shares that were issuable upon exercise of options exercisable within 60 days after March 31, 2015 held by Mr. Liang and 193,899 ordinary shares in the form of ADSs assuming full conversion of US\$15,000,000 notes that Mr. Liang holds to ADSs at the initial conversion price.
- (6) Mr. Shen’s business address is Suite 2215, Two Pacific Place, 88 Queensway Road, Hong Kong.
- (7) Includes 793,904 ordinary shares and 1,822,066 ordinary shares that were issuable upon exercise of options exercisable within 60 days after March 31, 2015 held by all of our current directors and executive officers, as a group, and 540,331 ordinary shares in the form of ADSs assuming full conversion of US\$41,800,000 notes that certain directors and executive officers hold to ADSs at the initial conversion price.
- (8) Includes 1,654,121 ordinary shares currently held by Priceline Group Treasury Company B.V., an indirectly wholly owned subsidiary of The Priceline Group (collectively, “Priceline”) and 1,536,337 ordinary shares issuable to Priceline upon conversion of a convertible note subscribed for and purchased by Priceline from the Company on August 7, 2014 based on an initial conversion price of US\$81.36 per ADS. Information regarding beneficial ownership is reported as of November 4, 2014, based on the information contained in the Schedule 13D/A filed by Priceline with the SEC on November 5, 2014. Please see the Schedule 13D/A filed by Priceline with the SEC on November 5, 2014 for information relating to Priceline. The address for Priceline Group Treasury Company B.V. is c/o Priceline Group Treasury Company B.V., Herengracht 597, Amsterdam 1017CE, Netherlands, and the address for The Priceline Group is c/o The Priceline Group Inc., 800 Connecticut Avenue, Norwalk, Connecticut 06854.
- (9) Includes 2,920,625 ordinary shares held in the form of ADSs by Capital World Investors, a division of Capital Research and Management Company. Information regarding beneficial ownership is reported as of December 31, 2014, based on the information contained in the Schedule 13G/A filed by Capital World Investors with the SEC on February 13, 2015. Please see the Schedule 13G/A filed by Capital World Investors with the SEC on February

13, 2015 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.

(10) Includes 2,851,910 ordinary shares held by Baillie Gifford & Co (Scottish Partnership). Information regarding beneficial ownership is reported as of December 31, 2014, based on the information contained in the Schedule 13G/A filed by Baillie Gifford & Co (Scottish Partnership) with the SEC on January 26, 2015. Please see the Schedule 13G/A filed by Baillie Gifford & Co (Scottish Partnership) with the SEC on January 26, 2015 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.

(11) Includes 2,098,057 ordinary shares held by T. Rowe Price Associates, Inc. Information regarding beneficial ownership is reported as of March 31, 2015, based on the information contained in the Schedule 13G/A filed by T. Rowe Price Associates Inc. with the SEC on April 10, 2015. Please see the Schedule 13G/A filed by T. Rowe Price Associates Inc. with the SEC on April 10, 2015 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.

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As of March 31, 2015, 35,509,956 of our ordinary shares were issued and outstanding (excluding the 230,262 ordinary shares that we reserved for issuance upon the exercise of our outstanding options). Based on a review of the register of members maintained by our Cayman Islands registrar, we believe that as of March 31, 2015, 37,774,158 ordinary shares were held by two record shareholders in the United States, including 37,774,158 ordinary shares (including treasury shares that were repurchased but not retired by the Company) 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-accommodation reservation businesses through a series of agreements between our PRC subsidiaries, our affiliated Chinese entities and/or their respective shareholders. Our affiliated Chinese entities 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. In early 2013, we amended and restated the contractual arrangements that we previously entered into with our consolidated affiliated Chinese entities in order to further strengthen our ability to control these entities and receive substantially all of the economic benefits from them. Moreover, we plan to enter into the same series of agreements with all of our future affiliated Chinese entities. As of the date of this report, Min Fan, our vice chairman of the board and president, and Dongjie Guo and Maohua Sun, our officers, are the principal record owners of our affiliated Chinese entities.

As of the date of this report, the equity holding structures of each of our significant affiliated Chinese entities are as follows:

- 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 owned 100% of Shanghai Huacheng.
- Min Fan and Dongjie Guo owned 90% and 10%, respectively, of Guangzhou Ctrip International Travel Agency Co., Ltd., or Guangzhou Ctrip, as well as Shenzhen Ctrip Travel Agency Co., Ltd., or Shenzhen Ctrip.
- Min Fan owned 100% of Shanghai Ctrip International Travel Agency Co., Ltd. (formerly Shanghai Ctrip Charming International Travel Agency Co., Ltd.), or Shanghai Ctrip.
- Shanghai Ctrip owned 100% of Chengdu Ctrip Travel Agency Co., Ltd., or Chengdu Ctrip, as well as Chengdu Ctrip International Travel Agency Co., Ltd., or Chengdu Ctrip International.
- Ctrip Commerce and Ctrip Computer Technology owned 90% and 10%, respectively, of Ctrip Insurance Agency Co., Ltd., or Ctrip Insurance.

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 the shareholders of our affiliated Chinese entities will not receive any personal benefits from these agreements except as shareholders of our company. According to our PRC counsel, Commerce & Finance Law Offices, 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 the shareholders of our affiliated Chinese entities signed an irrevocable power of attorney to appoint Ctrip Computer Technology, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of our affiliated Chinese entities. Each power of attorney will remain effective during the existence of the applicable affiliated Chinese entity. The Power of Attorney shall remain effective as long as the applicable affiliated Chinese entity exists, and the shareholders of our affiliated Chinese entities are not entitled to terminate or amend the terms of the Power of Attorneys without prior written consent from us.

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Amended and Restated Technical Consulting and Services Agreements. Ctrip Computer Technology, Ctrip Travel Network and Ctrip Travel Information, each a wholly owned PRC subsidiary of ours, provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. In consideration for our services, our affiliated Chinese entities agree to pay us service fees as calculated in such manner as determined by us from time to time based on the nature of service, which may be adjusted periodically. For 2014, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of transportation tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB2 (US\$0.3) to RMB19 (US\$3) per ticket and from RMB8 (US\$1) to RMB58 (US\$9) per person per tour. Although the service fees are typically determined based on the number of transportation tickets sold and packaged tour products sold, given the fact that the nominee shareholders of our affiliated Chinese entities have irrevocably appointed the employees of our subsidiaries to vote on their behalf on all matters they are entitled to vote on, we have the right to determine the level of service fees paid and therefore receive substantially all of the economic benefits of our affiliated Chinese entities in the form of service fees. The services fees paid by all of our affiliated Chinese entities as a percentage of their total net income were 82.7%, 105.9% and 109.4% for the years ended December 31, 2012, 2013 and 2014. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a 30-day advance written notice to the applicable affiliate Chinese entity.

Amended and Restated Share Pledge Agreements. The shareholders of our affiliated Chinese entities have pledged their respective equity interests in our affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by our affiliated Chinese entities of the technical and consulting services fees to us under the amended and restated technical consulting and services agreements, repayment of the business loan under the amended and restated business loan agreements and performance of obligations under the amended and restated exclusive option agreements, each agreement as described herein. In the event any of our affiliated Chinese entity breaches any of its obligations or any shareholder of our affiliated Chinese entities breaches his/her obligations, as the case may be, under these agreements, we are entitled to enforce the equity pledge right and sell or otherwise dispose of the pledged equity interests, and retain the proceeds from such sale or require any of them to transfer his or her equity interest without consideration to the PRC citizen(s) designated by us. These amended and restated share pledge agreements came into effect on the day when the respective pledgors became shareholders of our affiliated Chinese entities, and shall expire two years after the pledgor and the affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

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

The following table sets forth, as of the date of this report, the amount of each business loan, the date each amended and restated business loan arrangement was entered into, the principal, interest, maturity date and outstanding balance of the loan, the borrower and the relevant significant affiliated Chinese entity.

Date of Loan Agreement	Borrower	Significant Affiliated Chinese Entity	Principal (in thousands of RMB)	(in thousands of US\$)	Interest	Maturity Date	Outstanding Balance (in thousands of RMB)	(in thousands of US\$)
February 28, 2013	Min Fan	Ctrip Commerce	26,940.0	4,450.2	None	February 27, 2023	26,940.0	4,450.2
February 28, 2013	Maohua Sun	Ctrip Commerce	3,060.0	505.5	None	February 27, 2023	3060.0	505.5
February 28, 2013	Maohua Sun	Beijing Ctrip	1,600.0	264.3	None	February 27, 2023	1,600.0	264.3
February 28, 2013	Min Fan	Shanghai Ctrip	5,480.0	905.2	None	February 27, 2023	5,480.0	905.2
April 10, 2013	Min Fan	Shanghai Ctrip	5,510.0	910.2	None	February 27, 2023	5,510.0	910.2
February 28, 2013	Min Fan	Shenzhen Ctrip	2,250.0	371.7	None	February 27, 2023	2250.0	371.7
February 28, 2013	Dongjie Guo	Shenzhen Ctrip	250.0	41.3	None	February 27, 2023	250.0	41.3
February 28, 2013	Dongjie Guo	Guangzhou Ctrip	300.0	49.6	None	February 27, 2023	300.0	49.6
February 28, 2013	Min Fan	Guangzhou Ctrip	2,700.0	446.0	None	February 27, 2023	2,700.0	446.0

Amended and Restated Exclusive Option Agreements. As consideration for our entering into the amended and restated business loan agreements described above, each of the shareholders of our affiliated Chinese entities has granted us an exclusive, irrevocable option to purchase, or designate one or more person(s) at our discretion to purchase, all of their equity interests in our affiliated Chinese entities at any time we desire, subject to compliance with the applicable PRC laws and regulations. We may exercise the option by issuing a written notice to the relevant affiliated Chinese entity. The purchase price shall be equal to the contribution actually made by the shareholder for the relevant equity interest. Therefore, if we exercise these options, we may choose to cancel the outstanding loans we extended to the shareholders of our affiliated Chinese entities pursuant to the amended and restated business loan agreements as the loans were used solely for equity contribution purposes. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a written notice to the applicable affiliate Chinese entity.

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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.

In addition, we also enter into amended and restated technical consulting and services agreements with our majority or wholly owned subsidiaries of the affiliated Chinese entities, such as Chengdu Ctrip and Chengdu Ctrip International, and these subsidiaries pay us service fees based on the level of services

provided. The existence of such amended and restated technical consulting and services agreements provides us with the enhanced ability to transfer economic benefits of these majority or wholly owned subsidiaries of the affiliated Chinese entities to us in exchange for the services provided, and this is in addition to our existing ability to consolidate and extract the economic benefits of these majority or wholly owned subsidiaries of the affiliated Chinese entities. For instance, the affiliated Chinese entities may cause the economic benefits to be channeled to them in the form of dividends, which then may be further consolidated and absorbed by us through the contractual arrangements described above.

Share Incentive Grants

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

Commissions from Homeinns and its affiliates

As of December 31, 2014, we held approximately 15.1% stake in Homeinns, one of our hotel suppliers, and have two directors in common with it. Homeinns and its affiliates have entered into agreements with us to provide hotel rooms for our customers. Total commissions from Homeinns and its affiliates amounted to RMB35.9 million, RMB38.7 million and RMB38.1 million (US\$6.1 million) for the years ended December 31, 2012, 2013 and 2014, 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 Homeinns

In May 2009, we entered into a definitive purchase agreement with Homeinns to acquire additional equity interest in Homeinns 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 Homeinns. Homeinns 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, China Lodging Group Limited, or 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 RMB11.0 million, RMB17.1 million and RMB19.2 million (US\$3.1 million) for the years ended December 31, 2012, 2013 and 2014, 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 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 were equal to Hanting’s initial public offering price.

Entrusted loan and interest to a technology company focusing on hotel customer reviews

In September 2013, we entered into agreements with a technology company focusing on hotel customer reviews to provide entrusted loan of RMB13 million to the technology company. The entrusted loan has a one-year maturity period. The balance of entrusted loan together with the interest was RMB 13.4 million and RMB 0.7 million for the years ended December 31, 2013 and 2014, respectively.

Shareholders’ loan and interest to Skyseas

In December 2014, we entered into agreements with Exquisite Marine Ltd., which is wholly owned by Skysea Holding International Limited, to enter a secured credit loan in the amount of US\$80 million. The interest rate is 3% per annum currently and shall be subject to annual review and adjustment with mutual consent. The loan is guaranteed by a vessel mortgage and shall be paid back by installments starting 2020. The balance of the loan together with the interest for the year ended December 31, 2014 is RMB 506 million.

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Purchase of tour package service from Ananda

We purchased tour package service from Ananda Travel Service (Aust.) Pty Limited, or Ananda, an association investment of HKWOT (BVI) Limited. Tour package purchase from Ananda for the years ended December 31, 2012, 2013 and 2014 amounted to RMB33 million, RMB33 million and RMB27 million (US\$4.4 million), respectively.

Commissions from Starway Hotels (Hong Kong) Limited

In 2012, we sold a 51% interest in Starway Hotels (Hong Kong) Limited to China Lodging Holdings (HK) Limited, a wholly owned subsidiary of China Lodging Group Limited which has a director in common with our company. At the end of November 2013, we sold the remaining 49% equity interest to China Lodging Holdings (HK) Limited at the consideration of approximately RMB16.5 million (US\$2.7 million). Total commissions Starway Hotels (Hong Kong) Limited paid us amounted to RMB6 million (US\$1 million) for the period from January 1, 2013 to November 30, 2013.

Commissions to LY.com

In April, 2014, we purchased a minority stake of LY.com. We have entered into agreements to provide hotel rooms to LY.com. Total commissions to LY.com paid by us amounted to RMB76 million (US\$12 million) for the period from April, 2014 to December 31, 2014.

C. Interests of Experts and Counsel

Not applicable.

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

During the past five years, we have not distributed dividends to our shareholders of record.

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.

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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 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 April 24, 2015 was US\$65.57 per ADS.

	Trading Price (US\$)	
	High	Low
2010	53.16	29.90
2011	50.57	22.33
2012	28.12	12.36
2013	61.09	18.87
First Quarter	24.86	19.01
Second Quarter	35.33	18.87
Third Quarter	58.98	31.25
Fourth Quarter	61.09	44.48
2014	69.74	35.96
First Quarter	56.86	35.96
Second Quarter	65.2	44
Third Quarter	69.74	56.01
Fourth Quarter	60.5	40.74
2015 First Quarter	60.74	43.07
Monthly Highs and Lows		
October 2014	59.4	49.61
November 2014	60.5	51.35
December 2014	53.74	40.74
January 2015	50.85	43.92
February 2015	50.09	44.04
March 2015	60.74	43.07
April 2015 (through April 24, 2015)	67.46	57.59

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.

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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 (2013 Revision) of the Cayman Islands, or 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 or shareholders collectively present in person or by proxy and holding at least ten percent of the shares giving a right to attend and vote at the meeting.

A quorum required for a meeting of shareholders consists of at least two shareholders (or, if our company has only one shareholder, that one shareholder) 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 may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate not less than ten percent in par value of our voting share capital. Advance notice of at least seven days is required for the convening of any of our 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 cast in a general meeting. 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 authorized but unissued 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, Repurchase and Surrender of Shares. We may issue shares on the terms that such shares are subject to redemption, at our option or at the option of the holders thereof on such terms and in such manner as may be determined, prior to the issue of such shares, by special resolution. Our company may also repurchase any of our shares (including redeemable shares) provided that the manner of such purchase has been authorized by an ordinary resolution of our shareholders. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or share premium account or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital if our company shall, immediately following such payment, be able to pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law, no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) our company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

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 US\$700 per ordinary share, subject to adjustment. On August 7, 2014, we entered into a First Amendment and, subsequently on the same day, a Second Amendment to the Rights Agreement dated as of November 23, 2007 between the Bank of New York Mello and us. Through these two amendments, we (a) extended the term of our rights plan for another ten years and the Rights will expire on August 6, 2014, subject to the right of our board of directors to extend the rights plan for another ten years prior to its expiration; and (b) modified the trigger threshold of the Rights to allow more flexibility. Specifically, shareholders who file or are entitled to file beneficial ownership statement on Schedule 13G pursuant to Rule 13d-1(b)(1) of the Exchange Act, typically institutional investors with no intention to acquire control of the issuer, will be able to beneficially own up to 20% of our total outstanding shares before the Rights are triggered, while all other shareholders must maintain their beneficial ownership at a level below 10% of our total outstanding shares before the Rights are triggered, among other things. Certain named shareholders are defined as “Exempted Person” under the currently effective rights plan as long as their beneficial ownership do not exceed 10% of our total outstanding shares.

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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 (2013 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 six 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 6.C. Board Practices—Board of Directors.”

C. Material Contracts

Other than in the ordinary course of business and other than those described under this item, in “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” or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report: (i) a construction contract dated February 25, 2012 between Hunan No. 1 Engineering Company and Chengdu Ctrip Travel Service Co Ltd.; (ii) an Indenture, dated September 25, 2012, constituting US\$180.0 million 0.50% Convertible Senior Notes due 2017; (iii) an Indenture, dated October 17, 2013, constituting US\$800.0 million 1.25% Convertible Senior Notes due 2018; (iv) a framework agreement for purchase of first underground floor of building A and the whole building B of Hongqiao International Technology Square dated September 25, 2013 among Shanghai Hongqiao Linkong Technology Development Co., Ltd., Ctrip Computer Technology (Shanghai) Co., Ltd. and Shanghai Huanji Digital Technology Co., Ltd.; (v) a convertible notes purchase agreement for the issuance of a convertible note with a principal value of US\$500 million due 2019 dated August 7, 2014 between Ctrip.com International, Ltd. and Priceline Group Treasury Company B.V.; (vi) a pre-sale framework agreement for purchase of certain premises with an aggregate sellable gross floor area of 100,167 square meters and certain auxiliary facilities in Sky SOHO dated September 26, 2014 among Ctrip Travel Network Technology (Shanghai) Co., Ltd., SOHO (Shanghai) Investment Co., Ltd. and other affiliates of the company; and (vii) an investment agreement for acquisition of a minority stake in LY.com dated April 28, 2014 between Shanghai Ctrip International Travel Service Co., Ltd., LY.com and other parties thereto.

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.

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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 treaty with any country that is applicable to any payments made to or by us.

We have received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, for a period of 20 years from 14 March, 2000, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital to our members or a payment of principal or interest or other sums due under a debenture or other obligation.

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, if such income is considered as income derived from within China. 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.”

United States Federal Income Tax Considerations

The following is a summary of certain of the United States federal income tax considerations relating to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that will hold our ADSs or ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This summary is based upon the provisions of the Code and regulations, rulings and decisions thereunder as of the date hereof, all of which are subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the United States Internal Revenue Service (the “IRS”) with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position.

This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules, such as 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 any pass-through or other entity treated as partnerships for United States federal income tax purposes) or persons holding ADSs or ordinary shares through partnerships (including any pass-through or other entity treated as partnerships for United States federal income tax purposes), 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.

In addition, this summary does not discuss any state, local or estate or gift tax considerations and, except for the limited instances where PRC tax law and potential PRC taxes are discussed below, does not discuss any non-United States tax considerations. Each U.S. Holder is urged to consult its tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

As used in this section, “U.S. Holder” means a beneficial owner of ADSs or ordinary shares that for United States 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 United States 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 United States 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 United States Treasury regulations to be treated as a U.S. person.

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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 Rules,” 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 depositary, 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 United States federal income tax principles). Because we do not intend to determine our earnings and

profits on the basis of United States federal income tax principles, any distribution paid will generally be treated as a “dividend” for United States federal income tax purposes. 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), 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 United States 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, nor are 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. United States 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.

For United States foreign tax credit purposes, dividends will generally be treated as income from foreign sources and will constitute passive category income. Depending on your particular facts and circumstances, you may be eligible to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. If you do not elect to claim a foreign tax credit for foreign tax withheld, you will be permitted instead to claim a deduction, for United States federal income tax purposes, in respect of such withholdings, but only for a year in which you elect to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on your particular facts and circumstances. Accordingly, you should consult your tax advisors regarding the availability of the foreign tax credit based on your particular circumstances.

Sale, Exchange or Other Disposition of the ADSs or Ordinary Shares

Subject to description below under “—Passive Foreign Investment Company Rules,” 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, if any, between the amount realized for the ADS or ordinary share and your tax basis in the 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 United States-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 Rules

Based on the market price of our ADSs and ordinary shares, the value of our assets, and the composition of our assets and income, we do not believe that we were a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes for our taxable year ended December 31, 2014, and, although no assurances can be made in this regard, we do not expect to be classified as a PFIC for our taxable year ending December 31, 2015 in the foreseeable future. A non-U.S. corporation will be a PFIC for any taxable year if either:

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- 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, 2015 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 of the other taxable years would be subject to tax at the highest rate of tax in effect for you for such year and would be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable 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 United States 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.

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

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In the case of a U.S. Holder who has held our ADSs or ordinary shares during any taxable year in respect of which we were classified as a PFIC and continue to hold such ADSs or ordinary shares (or any portion thereof), and has not previously determined to make a mark-to-market election, and who later considers making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or ordinary shares. You should consult your tax advisors concerning the United States federal income tax consequences of purchasing, holding and disposing of our ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the QEF election.

Medicare Tax

An additional 3.8% tax is imposed on a portion or all of the net investment income of certain individuals with a modified adjusted gross income of over \$200,000 (or \$250,000 in the case of joint filers or \$125,000 in the case of married individuals filing separately) and on the undistributed net investment income of certain estates and trusts. For these purposes, “net investment income” generally includes interest, dividends (including dividends paid with respect to our ADSs or ordinary shares), annuities, royalties, rents, net gain attributable to the disposition of property not held in a trade or business (including net gain from the sale, exchange or other taxable disposition of an ADS or ordinary share) and certain other income, reduced by any deductions properly allocable to such income or net gain. You are urged to consult a tax advisor regarding the applicability of this tax to their income and gains in respect of an investment in our ADSs or ordinary shares.

Information Reporting and Backup Withholding

You may be required to submit certain information to the IRS with respect to your beneficial ownership of our ADSs or ordinary shares, if such ADSs or ordinary shares are not held on your behalf by a financial institution. Penalties are also imposed if you are required to submit such information to the IRS and fail to do so. You are urged to consult a tax advisor regarding your tax filing requirements with respect to an investment in our ADSs or ordinary shares.

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 United States backup withholding at a current rate of 28%. Backup withholding will not apply to you, however, if you furnish a correct taxpayer identification number and make any other required certification or are otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on IRS Form W-9. You should consult a tax advisor regarding the application of the United States information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding can be credited against your United States 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 IRS 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 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.

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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, interest rates associated with the issuance of US\$180 million 0.5% convertible senior notes due 2017, or the 2017 Notes; the issuance of US\$800 million 1.25% convertible senior notes due 2018, or the 2018 Notes; and the issuance of US\$500 million 1.00% convertible note due 2019 to Priceline Group Treasury Company B.V., or the Priceline Note. The 2017 Notes we issued in September 2012 bear interest at a rate of 0.5% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2013. The 2018 Notes we issued in October 2013 bear interest at a rate of 1.25% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014. The Priceline Note we issued in August 2014 with an interest rate of 1.00% per year that accrues annually from August 7, 2014. 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, 2014, a one basis point decrease in interest rates would result in approximately a RMB1.4 million (US\$0.2 million) 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, 2014, foreign exchange gains accounted for approximately -23% of our net income. As of December 31, 2014, 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."

Investment Risk. As of December 31, 2014, our equity investments, including marketable securities, totaled US\$172 million. We periodically review our investments for impairment. 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. We are unable to control these factors and an impairment charge recognized by us will impact our operating results and financial position.

We have invested through open market purchases and in a private placement transaction a total of US\$92 million in approximately 15.1% stake in Homeinns, a leading economy hotel chain in China. The purchase prices were determined based on the trading prices of Homeinns' ADSs on the NASDAQ Global Market at the time of each open market purchase or the average closing prices of Homeinns' ADSs as stipulated in the relevant purchase agreement. If Homeinns experiences a net loss in the future, we would share the net loss of Homeinns proportionate to our equity interest. In March 2010, we invested a total of US\$67.5 million in approximately 9% stake in 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 were equal to Hanting's initial public offering price. As of December 31 2014, the Company recorded the investment in Hanting at a fair value of RMB899 million (approximately US\$145 million), with RMB480 million increase in fair value of the investment credited to other comprehensive income. If the ADS price of Homeinns 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.

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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.

<u>Persons depositing or withdrawing shares must pay:</u>	<u>For:</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"> · 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
\$0.02 (or less) per ADS	<ul style="list-style-type: none"> · Any cash distribution to ADS registered holders
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	<ul style="list-style-type: none"> · Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS registered holders
\$0.02 (or less) per ADSs per calendar year	<ul style="list-style-type: none"> · Depository services
Registration or transfer fees	<ul style="list-style-type: none"> · 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
Expenses of the depository	<ul style="list-style-type: none"> · Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) · Converting foreign currency to U.S. dollars
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	<ul style="list-style-type: none"> · As necessary
Any charges incurred by the depository or its agents for servicing the deposited securities	<ul style="list-style-type: none"> · As necessary

Fees and Payments from the Depository to Us

We expect to receive from the depository a reimbursement of approximately US\$2 million, net of withholding tax, for our continuing annual stock exchange listing fees and our expenses incurred in connection with investor relationship programs for 2014. 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.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

Not applicable.

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, James Jianzhang Liang, and our chief financial officer, Xiaofan Wang, 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, 2014 based on the framework in Internal Control—Integrated Framework (2013) 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, 2014.

PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, audited the effectiveness of our company's internal control over financial reporting as of December 31, 2014, 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."

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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 and on July 13, 2012, the code of ethics was further amended and restated by our board of directors. We have filed our amended and restated code of business conduct and ethics as an exhibit to our annual report on Form 20-F for our fiscal year 2012, and posted the amended and restated code 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 LLP, 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.

	For the Year Ended December 31,		
	2013 RMB	2014 RMB	2014 US\$
Audit fees ⁽¹⁾	10,196,682	8,078,626	1,302,038
Other services	—	—	—

(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, and public and/or private securities offerings.

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, or 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 depository, to be funded out of our capital. On September 30, 2011, our board of directors approved an additional share repurchase plan, or the 2011 Repurchase Plan, 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 depository, to be funded out of our existing cash balance. On June 13, 2012, our board of directors approved an additional share repurchase plan, or the 2012 Repurchase Plan, pursuant to which we were authorized to purchase our own ADSs with an aggregate value of up to US\$300 million by a repurchase of corresponding ordinary shares from the depository. On April 3, 2014, our board of directors approved an additional share repurchase plan, or the 2014 Repurchase Plan (together with the 2008 Repurchase Plan, 2011 Repurchase Plan and the 2012 Repurchase Plan, the “Plans”), pursuant to which we were authorized to purchase our own ADSs with an aggregate value of up to US\$600 million by a repurchase of corresponding ordinary shares from the depository, to be funded out of our existing cash balance. Under the 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 19 million ADSs with a total consideration of approximately US\$370 million from the open market under the Plans.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

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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

Exhibit Number	Document
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)
1.2	Amendment to the Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. adopted by the shareholders of Ctrip.com International, Ltd. on October 17, 2006 (incorporated by reference to Exhibit 99.2 to our Report of Foreign Private Issuer on Form 6-K furnished to the Securities and Exchange Commission on October 17, 2006)
1.3	Amendment to the Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. adopted by the shareholders of Ctrip.com International, Ltd. on October 26, 2012 (incorporated by reference to Exhibit 1.3 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
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 furnished to the Securities and Exchange Commission on November 23, 2007)

- 2.4* First Amendment to the Rights Agreement dated as of August 7, 2014 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 8-A/A furnished to the Securities and Exchange Commission on August 8, 2014)
- 2.5* Second Amendment to the Rights Agreement dated as of August 7, 2014 between Ctrip.com International, Ltd. and The Bank of New York, as Rights Agent (incorporated by reference to Exhibit 4.2 from our Report of Foreign Private Issuer on Form 8-A/A furnished to the Securities and Exchange Commission on August 8, 2014)

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Exhibit Number	Document
2.6	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 Executed Form of Amended and Restated Technical Consulting and Services Agreement between a wholly owned subsidiary of the Registrant and an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 4.7 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
4.8	Translation of Executed Form of Amended and Restated Business Loan Agreement between a wholly owned subsidiary of the Registrant and shareholders of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 4.8 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
4.9	Translation of Executed Form of Amended and Restated Exclusive Option Agreement among a wholly owned subsidiary of the Registrant, an Affiliated Chinese Entity of the Registrant and a shareholder of the Affiliated Chinese Entity, as currently in effect (incorporated by reference to Exhibit 4.9 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
4.10	Translation of Executed Form of Amended and Restated Share Pledge Agreement between a wholly owned subsidiary of the Registrant and a shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect (incorporated by reference to Exhibit 4.10 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
4.11	Translation of Executed 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 4.11 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
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	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)
4.14	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)

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Exhibit Number	Document
4.15	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)
4.16	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)
4.17	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)
4.18	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)
4.19	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 International Travel Agency Co., Ltd. (formerly 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)
4.20	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)
4.21	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)
4.22	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)
4.23	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)
4.24	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)
4.25	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)
4.26	Translation of Construction Contract as of February 2012 between Chengdu Ctrip Information Technology Co., Ltd. and Hunan No. 1 Engineering Co., Ltd. (incorporated by reference to Exhibit 4.27 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)
4.27	Translation of Construction Contract dated September 8, 2008 between Ctrip Information Technology (Nantong) Co., Ltd. and Shanghai No. 1 Construction Co., Ltd. (incorporated by reference to Exhibit 4.28 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)

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Exhibit Number	Document
4.28	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. (incorporated by reference to Exhibit 4.29 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)
4.29	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 (incorporated by reference to Exhibit 4.30 from our

Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)

4.30	Indenture, dated September 25, 2012, constituting US\$180.0 million 0.50% Convertible Senior Notes due 2017 (incorporated by reference to Exhibit 4.30 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
4.31	Translation of Framework Agreement for Purchase and Sale of First Underground Floor of Building A and the Whole Building B of Hongqiao International Technology Square dated September 25, 2013 among Shanghai Hongqiao Linkong Technology Development Co., Ltd., Ctrip Computer Technology (Shanghai) Co., Ltd. and Shanghai Huanji Digital Technology Co., Ltd.
4.32	Indenture, dated October 10, 2013, constituting US\$800.0 million 1.25% Convertible Senior Notes due 2018
4.33*	Translation of Framework Agreement for purchase of certain premises and certain auxiliary facilities in Sky SOHO dated September 26, 2014 among Ctrip Travel Network Technology (Shanghai) Co., Ltd., SOHO (Shanghai) Investment Co., Ltd. and other affiliates of the company.
4.34*	Convertible Note Purchase Agreement for purchase of US\$500 million 1.00% convertible note due 2019 dated August 7, 2014 between Ctrip.com International, Ltd. and Priceline Group Treasury Company B.V. (incorporated by reference to Exhibit 2 from Schedule 13D (file no. 005-79455) filed by The Priceline Group Inc. with the Securities and Exchange Commission on September 29, 2014)
4.35*	Amended and Restated Standstill Agreement dated September 15, 2014 between Ctrip.com International, Ltd. and The Priceline Group Inc. (incorporated by reference to Exhibit 3 from Schedule 13D (file no. 005-79455) filed by The Priceline Group Inc. with the Securities and Exchange Commission on September 29, 2014)
4.36*	Translation of Investment Agreement for acquisition of a minority stake in Tongcheng Network Technology Share Co., Ltd. dated April 28, 2014 between Shanghai Ctrip International Travel Service Co., Ltd., Tongcheng Network Technology Co., Ltd. and other parties thereto
4.37*	The Secured Credit Agreement dated December 29, 2014 between Ctrip Investment Holding Ltd and Exquisite Marine Ltd.
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 July 3, 2012 (incorporated by reference to Exhibit 11.1 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
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 LLP
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.

SIGNATURES

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

Date: April 27, 2015

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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 shareholder's equity and of cash flows present fairly, in all material respects, the financial position of Ctrip.com International, Ltd. (the "Company") and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Report of Management on Internal Control over Financial Reporting appearing in Item 15 in 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 LLP
Shanghai, the People's Republic of China

April 27, 2015

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CTRIP.COM INTERNATIONAL, LTD.

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

	2012 RMB	2013 RMB	2014 RMB	2014 US\$
Revenues:				
Accommodation reservation	1,702,500,571	2,214,170,887	3,201,426,933	515,976,362
Transportation ticketing	1,690,285,903	2,161,784,259	2,950,072,484	475,465,378
Packaged-tour	689,660,631	935,684,729	1,055,369,205	170,094,640
Corporate travel	199,756,068	266,988,534	373,407,012	60,182,286
Others	126,989,085	138,388,653	192,281,473	30,990,148
Total revenues	4,409,192,258	5,717,017,062	7,772,557,107	1,252,708,814
Less: business tax and related surcharges	(250,401,009)	(330,271,520)	(425,638,738)	(68,600,512)
Net revenues	4,158,791,249	5,386,745,542	7,346,918,369	1,184,108,302
Cost of revenues	(1,037,791,093)	(1,386,767,067)	(2,100,606,413)	(338,556,299)
Gross profit	3,121,000,156	3,999,978,475	5,246,311,956	845,552,003
Operating expenses:				
Product development	(911,904,722)	(1,245,719,192)	(2,321,348,753)	(374,133,506)
Sales and marketing	(984,002,165)	(1,269,412,720)	(2,214,209,719)	(356,865,828)
General and administrative	(570,487,457)	(646,404,879)	(861,550,628)	(138,856,756)
Total operating expenses	(2,466,394,344)	(3,161,536,791)	(5,397,109,100)	(869,856,090)
Income/(loss) from operations	654,605,812	838,441,684	(150,797,144)	(24,304,087)
Interest income	177,144,144	200,068,533	304,583,544	49,089,956
Interest expense	(11,344,180)	(57,043,756)	(162,354,675)	(26,166,824)
Other income (net)	130,287,943	163,122,374	144,006,435	23,209,624
Income before income tax expense, equity in income of affiliates and non-controlling interests	950,693,719	1,144,588,835	135,438,160	21,828,669
Income tax expense	(294,525,956)	(293,740,322)	(130,821,156)	(21,084,543)
Equity in income of affiliates	34,343,000	55,554,072	87,005,341	14,022,716
Net income	690,510,763	906,402,585	91,622,345	14,766,842
Net loss attributable to non-controlling interests	23,895,101	91,917,099	151,117,436	24,355,710
Net income attributable to Ctrip's shareholders	714,405,864	998,319,684	242,739,781	39,122,552
Net income	690,510,763	906,402,585	91,622,345	14,766,842
Other comprehensive income:				
Foreign currency translation	21,039,744	(14,167,524)	(66,759,799)	(10,759,727)
Unrealized securities holding gains, net of tax	92,647,858	445,580,779	137,704,595	22,193,952
Total comprehensive income	804,198,365	1,337,815,840	162,567,141	26,201,067
Comprehensive loss attributable to non-controlling interests	23,895,101	91,917,099	151,117,436	24,355,710
Comprehensive income attributable to Ctrip's shareholders	828,093,466	1,429,732,939	313,684,577	50,556,777
Earnings per ordinary share				
— Basic	20.87	30.34	7.08	1.14
— Diluted	19.92	26.63	6.35	1.02
Earnings per ADS				
— Basic	5.22	7.58	1.77	0.29
— Diluted	4.98	6.66	1.59	0.26
Weighted average ordinary shares outstanding				
— Basic shares	34,236,761	32,905,601	34,289,170	34,289,170
— Diluted shares	36,090,785	38,069,841	38,207,858	38,207,858
Share-based compensation included in Operating expense above is as follows:				
Product development	132,583,177	138,668,196	184,664,576	29,762,527
Sales and marketing	55,892,394	49,104,528	54,391,508	8,766,320
General and administrative	243,245,751	250,156,753	257,587,405	41,515,554

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

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CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2014

	2013 RMB	2014 RMB	2014 US\$
ASSETS			
Current assets:			
Cash and cash equivalents	7,138,344,814	5,300,887,799	854,348,032
Restricted cash	739,543,614	836,394,951	134,802,397
Short-term investment	3,635,090,955	6,438,854,587	1,037,754,986
Accounts receivable, net	1,518,230,029	1,826,765,949	294,421,228
Due from related parties	21,774,669	10,568,937	1,703,404
Prepayments and other current assets	1,215,756,287	2,469,707,335	398,044,569
Deferred tax assets, current	96,979,500	193,503,366	31,187,082
Total current assets	14,365,719,868	17,076,682,924	2,752,261,698
Long-term deposits and prepayments	559,185,652	306,661,011	49,424,783
Long-term loan receivable	178,584,102	192,871,939	31,085,314
Long-term receivables due from related parties	8,166,667	510,039,284	82,203,411
Land use rights	107,476,794	104,568,868	16,853,442
Property, equipment and software	1,412,943,693	5,220,626,461	841,412,252
Investments	2,857,213,480	5,318,756,447	857,227,935
Goodwill	972,531,184	1,892,507,708	305,016,876
Intangible assets	356,653,022	668,202,371	107,694,673
Total assets	20,818,474,462	31,290,917,013	5,043,180,384
LIABILITIES			
Current liabilities:			
Short-term debt	774,599,341	3,560,488,641	573,846,604
Accounts payable	1,637,545,824	2,304,111,525	371,355,369
Due to related parties	11,216,780	17,049,103	2,747,817
Salary and welfare payable	257,641,763	525,157,105	84,639,961
Taxes payable	315,299,656	339,452,319	54,709,783
Advances from customers	2,451,931,450	3,937,477,522	634,606,183
Accrued liability for customer reward program	284,668,935	430,852,908	69,440,884
Other payables and accruals	635,104,949	1,600,113,658	257,891,508
Total current liabilities	6,368,008,698	12,714,702,781	2,049,238,109
Deferred tax liabilities, non-current	63,197,155	132,506,644	21,356,194
Long-term Debt	5,657,182,650	8,065,980,000	1,300,000,000
Total liabilities	12,088,388,503	20,913,189,425	3,370,594,303
Commitments and contingencies (Note 21)			
Shareholders' equity			
Share capital (US\$0.01 par value; 100,000,000 shares authorized, 33,828,251 and 35,146,982 shares issued and outstanding as of December 31, 2013 and 2014, respectively.)	3,033,490	3,085,272	497,256
Additional paid-in capital	4,088,484,766	4,828,021,816	778,135,870
Statutory reserves	118,449,230	134,098,747	21,612,795
Accumulated other comprehensive income	372,634,580	443,579,376	71,492,018
Retained earnings	5,498,934,733	5,726,024,997	922,867,711
Less: Treasury stock (3,777,087 and 3,323,262 shares as of December 31, 2013 and 2014, respectively.)	(1,551,141,268)	(1,605,630,913)	(258,780,729)
Total Ctrip's shareholders' equity	8,530,395,531	9,529,179,295	1,535,824,921
Non-controlling interests	199,690,428	848,548,293	136,761,160
Total shareholders' equity	8,730,085,959	10,377,727,588	1,672,586,081
Total liabilities and shareholders' equity	20,818,474,462	31,290,917,013	5,043,180,384

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

CTRIP.COM INTERNATIONAL, LTD.

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

	Ordinary shares (US\$0.01 par value)		Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss) RMB	Retained earnings RMB	Treasury stock - shares	Treasury stock RMB	Total Ctrip's shareholders' equity RMB	Non-controlling interests RMB	Total shareholders' equity RMB
	Number of shares outstanding	Par value RMB									
Balance as of December 31, 2011	35,849,473	2,939,527	3,465,924,424	98,049,668	(172,466,277)	3,806,608,747	242,832	(158,761,225)	7,042,294,864	102,770,969	7,145,065,833
Issuance of common stock pursuant to share incentive plan	627,635	39,617	93,215,551	—	—	—	—	—	93,255,168	—	93,255,168
Share-based compensation	—	—	429,165,035	—	—	—	—	—	429,165,035	—	429,165,035
Appropriations to statutory reserves	—	—	—	5,172,844	—	(5,172,844)	—	—	—	—	—
Repurchasing common stock	(4,122,474)	—	—	—	—	—	4,122,474	(1,733,127,675)	(1,733,127,675)	—	(1,733,127,675)
Foreign currency translation adjustments	—	—	—	—	21,039,744	—	—	—	21,039,744	—	21,039,744
Unrealized securities holding gains	—	—	—	—	92,647,858	—	—	—	92,647,858	—	92,647,858
Purchasing of Purchased Call Option	—	—	(346,009,222)	—	—	—	—	—	(346,009,222)	—	(346,009,222)
Sale of Issued Warrants	—	—	167,503,950	—	—	—	—	—	167,503,950	—	167,503,950
Purchasing and settlement Capped Call Option	—	—	4,809,282	—	—	—	—	—	4,809,282	—	4,809,282
Net income/(loss)	—	—	—	—	—	714,405,864	—	—	714,405,864	(23,895,101)	690,510,763
Disposal of a stake of shares of a subsidiary	—	—	17,577,884	—	—	—	—	—	17,577,884	2,674,521	20,252,405
Issuance of convertible preferred shares by a subsidiary	—	—	—	—	—	—	—	—	—	67,243,193	67,243,193
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	12,000,000	12,000,000
Acquisition of additional stake in a subsidiary	—	—	(13,930,677)	—	—	—	—	—	(13,930,677)	(65,546,044)	(79,476,721)
Balance as of December 31, 2012	<u>32,354,634</u>	<u>2,979,144</u>	<u>3,818,256,227</u>	<u>103,222,512</u>	<u>(58,778,675)</u>	<u>4,515,841,767</u>	<u>4,365,306</u>	<u>(1,891,888,900)</u>	<u>6,489,632,075</u>	<u>95,247,538</u>	<u>6,584,879,613</u>

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CTRIP.COM INTERNATIONAL, LTD.

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

	Ordinary shares (US\$0.01 par value)		Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss) RMB	Retained earnings RMB	Treasury stock - shares	Treasury stock RMB	Total Ctrip's shareholders' equity RMB	Non-controlling interests RMB	Total shareholders' equity RMB
	Number of shares outstanding	Par value RMB									
Issuance of common stock pursuant to share incentive plan	885,398	54,346	194,142,177	—	—	—	—	—	194,196,523	—	194,196,523
Share-based compensation	—	—	440,992,258	—	—	—	—	—	440,992,258	—	440,992,258
Appropriations to statutory reserves	—	—	—	15,226,718	—	(15,226,718)	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	(14,167,524)	—	—	—	(14,167,524)	—	(14,167,524)
Unrealized securities holding gains	—	—	—	—	445,580,779	—	—	—	445,580,779	—	445,580,779
Purchasing of Purchased Call Option	—	—	(842,694,944)	—	—	—	—	—	(842,694,944)	—	(842,694,944)
Sale of Issued Warrants	—	—	470,838,904	—	—	—	—	—	470,838,904	—	470,838,904
Early Termination of Call Option	—	—	70,270,919	—	—	—	—	—	70,270,919	—	70,270,919
Early Conversion of Convertible Notes	588,219	—	(63,288,632)	—	—	—	(588,219)	340,747,632	277,459,000	—	277,459,000
Net income / (loss)	—	—	—	—	—	998,319,684	—	—	998,319,684	(91,917,099)	906,402,585
Issuance of convertible preferred shares by a subsidiary	—	—	—	—	—	—	—	—	—	132,709,989	132,709,989
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	63,700,000	63,700,000
Acquisition of additional stake in subsidiaries	—	—	(32,143)	—	—	—	—	—	(32,143)	(50,000)	(82,143)
Balance as of December 31, 2013	<u>33,828,251</u>	<u>3,033,490</u>	<u>4,088,484,766</u>	<u>118,449,230</u>	<u>372,634,580</u>	<u>5,498,934,733</u>	<u>3,777,087</u>	<u>(1,551,141,268)</u>	<u>8,530,395,531</u>	<u>199,690,428</u>	<u>8,730,085,959</u>

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CTRIP.COM INTERNATIONAL, LTD.

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

	Ordinary shares (US\$0.01 par value)		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income/(loss)	Retained earnings	Treasury stock - shares	Treasury stock	Total Ctrip's shareholders' equity	Non-controlling interests	Total shareholders' equity
	Number of shares outstanding	Par value									
Issuance of common stock pursuant to share incentive plan	835,042	51,483	221,534,465	—	—	—	—	—	221,585,948	—	221,585,948
Share-based compensation	—	—	496,643,489	—	—	—	—	—	496,643,489	—	496,643,489
Appropriations to statutory reserves	—	—	—	15,649,517	—	(15,649,517)	—	—	—	—	—
Repurchasing common stock	(392,306)	—	—	—	—	—	392,306	(446,155,147)	(446,155,147)	—	(446,155,147)
Foreign currency translation adjustments	—	—	—	—	(66,759,799)	—	—	—	(66,759,799)	—	(66,759,799)
Unrealized securities holding gains	—	—	—	—	137,704,595	—	—	—	137,704,595	—	137,704,595
Early Conversion of Convertible Notes	846,131	—	8,945,339	—	—	—	(846,131)	391,665,502	400,610,841	—	400,610,841
Net income / (loss)	—	—	—	—	—	242,739,781	—	—	242,739,781	(151,117,436)	91,622,345
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(280,075)	(280,075)
Issuance of convertible preferred shares by a subsidiary	—	—	—	—	—	—	—	—	—	186,057,768	186,057,768
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	658,466,145	658,466,145
Acquisition of additional stake in subsidiaries	29,864	299	12,413,757	—	—	—	—	—	12,414,056	(44,268,537)	(31,854,481)
Balance as of											
December 31, 2014	<u>35,146,982</u>	<u>3,085,272</u>	<u>4,828,021,816</u>	<u>134,098,747</u>	<u>443,579,376</u>	<u>5,726,024,997</u>	<u>3,323,262</u>	<u>(1,605,630,913)</u>	<u>9,529,179,295</u>	<u>848,548,293</u>	<u>10,377,727,588</u>

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

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CTRIP.COM INTERNATIONAL, LTD.

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

	2012 RMB	2013 RMB	2014 RMB	2014 US\$
Cash flows from operating activities:				
Net income	690,510,763	906,402,585	91,622,345	14,766,842
Adjustments to reconcile net income to cash provided by operating activities:				
Share-based compensation	431,721,322	437,929,477	496,643,489	80,044,401
Equity in income of affiliates	(34,343,000)	(55,554,072)	(87,005,341)	(14,022,716)
Gain on deconsolidation of subsidiaries	(44,432,052)	—	(789,193)	(127,195)
Loss from disposal of property, equipment and software	653,191	11,946,443	3,751,452	604,624
Gain on disposal of cost method investment	—	(4,014,829)	—	—
Gain on disposal of equity investment	—	(592,742)	—	—
Loss from disposal of a subsidiary	—	—	1,529,046	246,437
Gain from the re-measurement of the previously held equity interest to the fair value in the business acquisition	—	—	(100,185,800)	(16,147,020)
Loss from impairment of long-term investment	—	—	33,000,000	5,318,635
Provision for doubtful accounts	376,164	2,842,681	11,737,580	1,891,755
Depreciation of property, equipment and software	88,462,807	110,494,928	173,786,973	28,009,376
Amortization of intangible assets and land use rights	10,538,382	10,545,854	8,334,028	1,343,202
Deferred income tax benefit	(22,757,864)	(35,871,972)	(97,573,997)	(15,726,073)
Changes in current assets and liabilities net of assets acquired and liabilities assumed/disposed of in business combinations/dispositions:				
Increase in accounts receivable	(193,874,838)	(487,446,257)	(261,973,182)	(42,222,413)
(Increase)/Decrease in due from related parties	(333,610)	(12,363,165)	2,352,014	379,076
Increase in prepayments and other current assets	(118,239,096)	(398,015,862)	(1,218,273,146)	(196,349,990)
(Increase) /Decrease in long-term deposits	(7,479,664)	19,406,141	(27,406,657)	(4,417,151)
Increase in accounts payable	255,160,851	537,669,487	585,953,759	94,438,603
Increase in due to related parties	1,677,658	583,234	6,057,681	976,321
Increase in salary and welfare payable	85,511,674	25,720,555	259,440,083	41,814,151

Increase/(Decrease) in taxes payable	(3,054,768)	98,025,837	23,797,376	3,835,441
Increase in advances from customers	310,497,590	1,001,717,032	1,469,414,155	236,826,573
Increase in accrued liability for customer reward program	55,805,114	67,120,782	146,183,973	23,560,580
Increase in other payables and accruals	147,967,182	216,281,215	438,207,218	70,626,182
Net cash provided by operating activities	1,654,367,806	2,452,827,352	1,958,603,856	315,669,641
Cash flows from investing activities:				
Purchase of property, equipment and software	(543,123,309)	(651,765,217)	(4,788,676,371)	(771,794,535)
Cash paid for long-term investments	—	(965,421,399)	(2,078,378,807)	(334,973,858)
Cash paid for acquisition, net of cash acquired	(29,018,885)	(119,739,607)	(130,124,251)	(20,972,223)
Purchase of intangible assets	—	—	(9,000,000)	(1,450,537)
(Increase) /Decrease in restricted cash	(558,620,548)	31,954,414	(94,988,241)	(15,309,326)
Decrease/ (Increase) in short-term investment	(123,698,692)	(2,219,940,665)	(2,799,807,028)	(451,246,983)
Increase in long-term loan receivable	—	(178,584,102)	—	—
Decrease in long-term receivables due from related parties	—	—	496,368,000	80,000,000
Cash received from disposal of equity investment	—	4,209,926	—	—
Cash received from disposal of cost method investment	—	13,142,920	—	—
Cash received from deconsolidation of a subsidiary, net of cash disposed	—	—	45,569,216	7,344,424
Cash received from disposal of a subsidiary net of cash disposed	14,556,966	—	(7,373,416)	(1,188,379)
Net cash used in investing activities	(1,239,904,468)	(4,086,143,730)	(9,366,410,898)	(1,509,591,417)

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CTRIP.COM INTERNATIONAL, LTD.

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

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

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(Amounts expressed in RENMINBI (RMB) unless otherwise stated)**1. ORGANIZATION AND NATURE OF OPERATIONS**

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

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

2. PRINCIPAL ACCOUNTING POLICIES***Basis of presentation***

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

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

Consolidation

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

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

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

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

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

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For the years ended December 31, 2012, 2013 and 2014, the Company is considered the primary beneficiary of a VIE or VIEs’ subsidiary and consolidated the VIE or VIEs’ subsidiary if the Company had variable interests, that will absorb the entity’s expected losses, receive the entity’s expected residual returns, or both.

Major variable interest entities and their subsidiaries

As of December 31, 2014, the Company conducts a part of its operations through a series of agreements with certain VIEs and VIEs' subsidiaries as stated in above. These VIEs and VIEs' subsidiaries are used solely to facilitate the Group's participation in Internet content provision, advertising business, travel agency and air-ticketing services in the People's Republic of China ("PRC") where foreign ownership is restricted.

Shanghai Ctrip Commerce is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip Commerce holds a value-added telecommunications business license and is primarily engaged in the provision of advertising business on the Internet website. Two senior officers of the Company collectively hold 100% of the equity interest in Shanghai Ctrip Commerce. The registered capital of Shanghai Ctrip Commerce was RMB30,000,000 as of December 31, 2014.

Beijing Ctrip is a domestic company incorporated in Beijing, the PRC. Beijing Ctrip holds an air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. A senior officer of the Company and Shanghai Ctrip Commerce collectively hold 100% of the equity interest in Beijing Ctrip. The registered capital of Beijing Ctrip was RMB40,000,000 as of December 31, 2014.

Guangzhou Ctrip is a domestic company incorporated in Guangzhou, the PRC. Guangzhou Ctrip holds air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. Two senior officers of the Company collectively hold 100% of the equity interest in Guangzhou Ctrip. The registered capital of Guangzhou Ctrip was RMB3,000,000 as of December 31, 2014.

Shanghai Ctrip is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. In September 2012, the Company purchased of the ownership interests from the unrelated minority shareholder and effected a simultaneous reduction of capital of Shanghai Ctrip. Upon completion of the above transactions, a senior officer of the Company control 100% of the equity interest in Shanghai Ctrip. The registered capital of Shanghai Ctrip was RMB10,000,000 as of December 31, 2014.

Shenzhen Ctrip is a domestic company incorporated in Shenzhen, the PRC. Shenzhen Ctrip holds air transport sales agency license and domestic travel agency license and is engaged in the provision of air-ticketing service. Two senior officers of the Company collectively hold 100% of the equity interest in Shenzhen Ctrip. The registered capital of Shenzhen Ctrip was RMB2,500,000 as of December 31, 2014.

Ctrip Insurance is an insurance agency incorporated in Shanghai, the PRC. Ctrip Insurance was established in July 2011. Ctrip Insurance holds an insurance agency business license. Shanghai Ctrip Commerce and Ctrip Computer Technology (Shanghai) Co., Ltd. ("Ctrip Computer Technology") hold 100% of the equity interest in Ctrip Insurance. The registered capital of Ctrip Insurance was RMB50,000,000 as of December 31, 2014.

Shanghai Huacheng is a domestic company incorporated in Shanghai, the PRC. Shanghai Huacheng holds a domestic travel agency license and an air transport sales agency license and mainly provides domestic tour services and air-ticketing services. Shanghai Ctrip Commerce holds 100% of the equity interest in Shanghai Huacheng. The registered capital of Shanghai Huacheng was RMB100,000,000 as of December 31, 2014.

Chengdu Ctrip is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip holds air transport sales agency license and domestic travel agency license and is engaged in the provision of air-ticketing service. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip. The registered capital of Chengdu Ctrip was RMB11,500,000 as of December 31, 2014.

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Chengdu Ctrip International is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip International holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip International. The registered capital of Chengdu Ctrip International was RMB2,000,000 as of December 31, 2014.

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

As of December 31, 2014, the Company has various agreements with its consolidated VIEs and VIEs' subsidiaries, including loan agreements, exclusive technical consulting and services agreements, share pledge agreements, exclusive option agreements and other operating agreements.

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

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

Amended and Restated Technical Consulting and Services Agreement: Ctrip Computer Technology, Ctrip Travel Network and Ctrip Travel Information provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. In consideration for our services, our affiliated Chinese entities agree to pay us service fees as calculated in such manner as determined by us from time to time based on the nature of service, which may be adjusted periodically. For 2014, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB2 (US\$0.3) to RMB19 (US\$3) per ticket and from RMB8 (US\$1) to RMB58 (US\$9) per person per tour. Although the service fees are typically determined based on the number of air tickets sold and packaged tour products sold, given the fact that the nominee shareholders of our affiliated Chinese entities have irrevocably appointed the employees of our subsidiaries to vote on their behalf on all matters they are entitled to vote on, we have the right to determine the level of service fees paid and therefore receive substantially all of the economic benefits of our affiliated Chinese entities in the form of service fees. The services fees paid by all of our affiliated Chinese entities as a percentage of their total net income were 82.7%, 105.9% and 109.4% for the years ended December 31, 2012, 2013 and 2014. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless

we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a 30-day advance written notice to the applicable affiliate Chinese entity.

Amended and Restated Share Pledge Agreements: The shareholders of our affiliated Chinese entities have pledged their respective equity interests in our affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by our affiliated Chinese entities of the technical and consulting services fees to us under the amended and restated technical consulting and services agreements, repayment of the business loan under the amended and restated business loan agreements and performance of obligations under the amended and restated exclusive option agreements, each agreement as described herein. In the event any of our affiliated Chinese entity breaches any of its obligations or any shareholder of our affiliated Chinese entities breaches his/her obligations, as the case may be, under these agreements, we are entitled to enforce the equity pledge right and sell or otherwise dispose of the pledged equity interests, and retain the proceeds from such sale or require any of them to transfer his or her equity interest without consideration to the PRC citizen(s) designated by us. These amended and restated share pledge agreements came into effect on the day when the respective pledgors became shareholders of our affiliated Chinese entities, and shall expire two years after the pledgor and the affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

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

Amended and Restated Exclusive Option Agreements: As consideration for our entering into the amended and restated business loan agreements described above, each of the shareholders of our affiliated Chinese entities has granted us an exclusive, irrevocable option to purchase, or designate one or more person(s) at our discretion to purchase, all of their equity interests in our affiliated Chinese entities at any time we desire, subject to compliance with the applicable PRC laws and regulations. We may exercise the option by issuing a written notice to the relevant affiliated Chinese entity. The purchase price shall be equal to the contribution actually made by the shareholder for the relevant equity interest. Therefore, if we exercise these options, we may choose to cancel the outstanding loans we extended to the shareholders of our affiliated Chinese entities pursuant to the amended and restated business loan agreements as the loans were used solely for equity contribution purposes. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a written notice to the applicable affiliate Chinese entity.

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

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

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

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

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There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, the Company cannot be assured that the PRC government authorities will not ultimately take a view that is contrary to the Company's belief and the opinion of its PRC legal counsel. On January 19, 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released for public comments a proposed PRC law (the "Draft FIE Law") which includes VIEs within the scope of entities that could be considered to be foreign invested enterprises (or "FIEs") and may be subject to restrictions under existing PRC law on foreign investment in certain categories of industries. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership on equity, the

Draft FIE Law includes control through contractual arrangements within the definition of “actual control.” If the Draft FIE Law is passed by the People’s Congress of the PRC and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to reach the Company’s VIE arrangements, and as a result the Company’s VIEs could become explicitly subject to the current restrictions on foreign investment in certain categories of industry. The Draft FIE Law includes provisions that would exempt from the definition of FIEs where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens. The Draft FIE Law is silent as to what type of enforcement action might be taken against existing VIEs that operate in restricted or prohibited industries and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If the contractual arrangements establishing the Company’s VIE structure are found to be in violation of any existing law and regulations or future PRC laws and regulations or under the Draft FIE Law if it becomes effective, the relevant PRC government authorities will have broad discretion in dealing with such violation, including, without limitation, levying fines, confiscating our income or the income of our affiliated Chinese entities, revoking our business licenses or the business licenses of our affiliated Chinese entities, requiring us and our affiliated Chinese entities to restructure our ownership structure or operations and requiring us or our affiliated Chinese entities to discontinue any portion or all of our value-added telecommunications, air-ticketing, travel agency or advertising businesses. Any of these actions could cause significant disruption to the Company’s business operations, and have a severe adverse impact on the Company’s cash flows, financial position and operating performance. If the imposing of these penalties cause the Company to lose its rights to direct the activities of and receive economic benefits from its VIEs, which in turn may restrict the Company’s ability to consolidate and reflect in its financial statements the financial position and results of operations of its VIEs.

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

Pursuant to the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs, and can have assets transferred freely out of the VIEs without any restrictions. Therefore the Company considers that there is no asset of a consolidated VIE that can be used only to settle obligations of the VIE, except for registered capital and PRC statutory reserves of the VIEs amounting to a total of RMB514 million as of December 31, 2014. As all the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs.

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

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

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

As of December 31, 2013 and 2014, the VIEs’ liabilities mainly consisted of advance from customers (December 31, 2013: RMB2.1 billion , December 31, 2014: RMB3.5 billion), accounts payable (December 31, 2013: RMB1.3 billion, December 31, 2014: RMB1.8 billion), other payables and accruals (December 31, 2013: RMB181 million, December 31, 2014: RMB588 million), salary and welfare payable (December 31, 2013: RMB119 million, December 31, 2014: RMB195 million) and taxes payable (December 31, 2013: RMB46 million, December 31, 2014: RMB45 million). The inter-company payables as of December 31, 2013 and 2014 were RMB1.4 billion and RMB6.1 billion, respectively, which primarily consisted of the payables due to Ctrip.com (Hong Kong) Limited (“Ctrip HK”), one of the Company’s wholly-owned subsidiaries, for its payment of overseas air tickets and tour packages on behalf of a VIE and another VIEs’ subsidiary and the service fees payable to the WFOEs under the technical consulting and services agreements, which are operational in nature from the VIEs and their subsidiaries’ perspectives.

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

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

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

The amount of service fees paid by all the VIEs as a percentage of the VIEs’ total net income were 82.7%, 105.9% and 109.4% for the years ended December 31, 2012, 2013 and 2014, respectively.

The WFOEs are the sole and exclusive provider of technical consulting and related services and information services for the VIEs. Pursuant to the Exclusive Technical Consulting and Service Agreements, the VIEs pay service fees to the WFOEs based on the VIEs’ actual operating results. The WFOEs

are entitled to receive substantially all of the net income and transfer a majority of the economic benefits in the form of service fees from the VIEs and VIEs' subsidiaries to the WFOEs. The WFOEs did not request service fee payments of RMB286 million from Chengdu Ctrip and Chengdu Ctrip International during the years ended December 31 2012, primarily for tax planning purpose. In 2013, Chengdu Ctrip and Chengdu Ctrip International started to pay service fee to WFOEs, and the retained earnings of 2013 and 2014 have been transferred to the WFOEs, respectively. For remaining undistributed retained earnings, tax planning strategies are in place to support their enterprise income tax free treatment.

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

Foreign currencies

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

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

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

Translations of amounts from RMB into US\$ are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.2046 on December 31, 2014, representing the certificated exchange rate published by the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2014, or at any other rate.

Cash and cash equivalents

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

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Restricted cash

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

Short-term investment

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

Long term loan receivable

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

Land use rights

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

Property, equipment and software

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

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

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

Investments

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

Cost method is used for investments over which the Company does not have the ability to exercise significant influence. Gain or losses are realized when such investments are sold or when dividends are declared or payments are received. In October 2013, the Company contributed cash in return for 5% equity shares in Zhong An Online Property Insurance Co., Ltd. (“Zhong An Online”). In December 2013, the Company acquired approximately 4% equity shares in Keystone Lodging Holdings Limited (“Keystone”), which in 2013 merged with 7 Days Group Holdings Limited (“7 Days”), a leading economy hotel chain based in China. In 2014, dividends of RMB39 million are received from Keystone. Cost method of accounting was applied to both transactions due to lack of ability to exercise significant influence (Note 8). No new cost method investment transactions have occurred in 2014.

The Company applies equity method in accounting for our investments in entities in which the Company has the ability to exercise significant influence but does not own a majority equity interest or otherwise controls. In 2008, the Company acquired equity interest in Homeinns Hotel Group (“Homeinns” formerly Home Inns & Hotels Management Inc.) and on May 21, 2009, the Company started to have the ability to exercise significant influence and meeting requirement to apply equity method of accounting. In 2014, through a series of transactions, the Company culminated 35% share capital of Skyseas Holding International Ltd. (“Skyseas”) and provided a loan of US\$80 million to Skyseas to finance its purchase of a cruise ship. The Company therefore has the ability to exercise significant influence on Skyseas and applied equity method to account for the investment (Note 8). Unrealized gains on transactions between the Company and the affiliated entity are eliminated to the extent of the Company’s interest in the affiliated entity; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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The Company classifies its investments in debt and equity securities into one of three categories and accounts for these as follows: (i) debt securities that the Company has the positive intent and the ability to hold to maturity are classified as “held to maturity” and reported at amortized cost; (ii) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as “trading securities” with unrealized holding gains and losses included in earnings; (iii) debt and equity securities not classified as held to maturity or as trading securities are classified as “available-for-sale” and reported at fair value through other comprehensive income. The Company has designated its investment in commons shares of China Lodging Group, Limited (“Hanting”), Tuniu Corporation (“Tuniu”) and eHi Car Services Limited (“eHi”) as available-for-sale equity securities, investment in shares with liquidation preference right of Tongcheng Network Technology Share Co., Ltd. (“LY.com”) and a travel agency focusing on teenager market as available-for-sale equity securities and its investments in convertible redeemable preferred shares (“Preferred Share”) of Easy Go Inc. (“Easy Go”), Dining Secretary China Limited (“Dining Secretary”), Happy City Holdings Limited (“Happy City”) and a big-data advertisement company as available-for-sale debt securities in accordance with Accounting Standard Codification (“ASC”) 320-10, respectively (Note 8). Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported as accumulated other comprehensive income (loss), net of tax. Realized gains or losses are charged to earnings during the period in which the gains or losses are realized.

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

Fair value measurement of financial instruments

Financial instruments of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, due from related parties, available-for-sale investments, accounts payable, due to related parties, advances from customers, short-term bank borrowings, other short-term liabilities and long-term debts. As of December 31, 2013 and 2014, carrying values of these financial instruments except for short-term investments and available-for-sale investments approximated their fair values because of their generally short maturities, and the carrying value of the long-term debts also approximates their fair value, as they bear interest at rates determined based on prevailing interest rates in the market. The Company reports short-term investments and available-for-sale investments at fair value at each balance sheet date and changes in fair value are reflected in the statements of income and comprehensive income.

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

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

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

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

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

Business combination

U.S. GAAP requires that all business combinations not involving entities or businesses under common control be accounted for under the purchase method. From January 1, 2009, the Group adopted ASC 805, “Business combinations”. Following this adoption, the cost of an acquisition is measured as the

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

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

Acquisitions

Wing On Travel

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

Travel agencies

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

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

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

In January, 2014, the Company completed the transaction to acquire a 51% controlling interest of an online trip package service provider. The purchase consideration is RMB139 million (US\$23 million). The results of the acquired entity's operations have been included in the consolidated financial statements of the Company since the acquisition date. On the acquisition date, the allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows. The non-controlling interest represents the fair value of the 49% equity interest not held by the Company:

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

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

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

A technology company focusing on hotel customer reviews

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

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

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

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

Other acquisitions

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

Goodwill and other intangible assets

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

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

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

Separately identifiable intangible assets that have determinable lives continue to be amortized and consist primarily of non-compete agreements, customer list, supplier relationship, technology patent and a cross-border travel agency license as of December 31, 2013 and 2014. The Company amortizes intangible assets on a straight-line basis over their estimated useful lives, which is three to ten years. The estimated life of amortized intangibles is reassessed if circumstances occur that indicate the life has changed. Other intangible assets that have indefinite useful life primarily include trademark and domain names as of December 31, 2013 and 2014. The Company evaluates indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment.

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

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

Impairment of long-lived assets

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

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

Accrued liability for customer reward program

The Group's customers participate in a reward program, which provides travel awards and other gifts to members based on accumulated membership points that vary depending on the services rendered and fees paid. The estimated incremental costs to provide free travel and other gifts are recognized as sales and marketing expense in the statements of income and comprehensive income and accrued for as a current liability as members accumulate points. As members redeem awards or their entitlements expire, the accrued liability is reduced correspondingly. As of December 31, 2013, and 2014, the Group's accrued liability for its customer reward program amounted to RMB285 million and RMB431 million, respectively, based on the estimated liabilities under the customer reward program. Our expenses for the customer rewards program were approximately RMB157million, RMB203 million and RMB355 million for the years ended December 31, 2012, 2013 and 2014.

Deferred revenue

In 2011, the Group launched a coupon program, through which the Group provides coupons for customers who book selected hotels online through website. Customers who use the coupons receive credits in their virtual cash accounts upon check-out from the hotels and reviews for hotels submitted. Customers may redeem the amount of credits in their virtual cash account in cash, voucher, or mobile phone credit. In accordance with ASC 605-50 "Revenue Recognition: Customer Payments and Incentives", the Group accounts for the estimated cost of future usage of coupons as contra-revenue or sales and marketing expenses in the consolidated statements.

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Revenue recognition

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

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

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

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

Accommodation reservation services

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

Transportation ticketing services

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

Packaged-tour

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

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

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

Other businesses

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

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

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

Allowance for doubtful accounts

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

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

Cost of revenues

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

Product development

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

Sales and marketing

Sales and marketing expenses consist primarily of costs of payroll and related compensation for the Company’s sales and marketing personnel, advertising expenses, and other related marketing and promotion expenses. Advertising expenses, amounting to approximately RMB276 million, RMB538 million and RMB1.2 billion for the years ended December 31, 2012, 2013 and 2014 respectively, are charged to the statements of income as incurred.

Share-based compensation

Under ASC 718, the Company applied the Black-Scholes valuation model in determining the fair value of options granted. Risk-free interest rates are based on US Treasury yield for the terms consistent with the expected life of award at the time of grant. Expected life is based on historical exercise patterns, for options granted before 2008 which the Company has historical data of and believes are representative of future behavior. For options granted since 2008, the Company used simplified method to estimate its expected life. Expected dividend yield is determined in view of the Company’s historical dividend payout rate and future business plan. The Company estimates expected volatility at the date of grant based on historical volatilities. The Company recognizes compensation expense on all share-based awards on a straight-line basis over the requisite service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future change in circumstances and facts, if any. If actual forfeitures differ from those estimates, we may need to revise those estimates used in subsequent periods.

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

that are expected to vest.

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

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

Share incentive plans

On November 5, 2004, the Company's board of directors adopted a 2005 Employee's Stock Option Plan ("2005 Option Plan"). The 2005 Option Plan was approved by the shareholders of the Company in October 2005. The Company has reserved 3,000,000 ordinary shares for future issuances of options under the 2005 Option Plan. The terms of the 2005 Option Plan are substantially similar to the Company's 2003 Option Plan. As of December 31, 2013 and 2014, 587,596 and 386,310 options were outstanding under the 2005 Option Plan respectively.

On October 17, 2007, the Company adopted a 2007 Share Incentive Plan ("2007 Incentive Plan"), which was approved by the shareholders of the Company on June 15, 2007. Under the 2007 Incentive Plan, the maximum aggregate number of shares, which may be issued pursuant to all share-based awards (including Incentive Share Options and Restricted Share Units ("RSU")), is one million ordinary shares as of the first business day of 2007, plus an annual increase of one million shares to be added on the first business day of each calendar year beginning in 2008 to 2016. Under the 2007 Incentive Plan, the directors may, at their discretion, grant any employees, officers, directors and consultants of the Company and/or its subsidiaries such share-based awards. Shares options granted under 2007 Incentive Plan are vested over a period of 4 years. RSUs granted under 2007 Incentive Plan have a restricted period for 4 years. As of December 31, 2013 and 2014, 3,543,136 and 4,585,868 options and 623,424 and 1,058,608 RSUs were outstanding under the 2007 Incentive Plan.

Option modification

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

A summary of option activity under the share option plans

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2011	5,433,541	85.02	5.59	144,827,231
Granted	961,980	79.55		
Exercised	(502,991)	29.39		
Forfeited	(71,623)	136.67		
Converted to RSU in January 2012	(1,901,372)	91.8		
Outstanding at December 31, 2012	3,919,535	64.81	5.14	57,772,345
Granted	945,106	79.70		
Exercised	(660,459)	48.05		
Forfeited	(73,450)	91.75		
Outstanding at December 31, 2013	4,130,732	70.42	4.99	528,988,489
Granted	1,472,449	172.56		
Exercised	(573,351)	62.52		
Forfeited	(57,652)	117.63		
Outstanding at December 31, 2014	4,972,178	101.03	5.17	405,399,251
Vested and expect to vest at December 31, 2014	4,755,245	99.67	5.10	394,059,498
Exercisable at December 31, 2014	2,260,520	65.37	3.36	263,652,339

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

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

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

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

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

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)
35.00-44.99	1,092,164	38.03	2.10	1,092,164	38.03	2.10
45.00-58.99	41,007	58.39	0.12	41,007	58.39	0.12
59.00-77.99	1,281,421	76.87	5.99	376,408	75.33	5.89
78.00-96.99	640,510	91.20	4.29	405,003	93.08	3.73
97.00-129.99	427,259	105.57	4.66	324,269	106.44	4.59
130.00-249.99	1,489,817	172.09	7.37	21,669	150.58	4.09
	<u>4,972,178</u>			<u>2,260,520</u>		

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

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

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

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

A summary of RSUs activities under the share option plans

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

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

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

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

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

Operating leases

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

Taxation

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

Effective January 1, 2007, the Company adopted ASC 740, "Income Taxes". It clarifies the accounting for uncertainty in income taxes recognized in the Company's consolidated financial statements and prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

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

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Other income (net)

Other income primarily consists of financial subsidies, investment income and foreign exchange gains/(losses). Financial subsidies from local PRC government authority were recorded as other income in the consolidated statements of income. There are no defined rules and regulations to govern the criteria necessary for companies to enjoy such benefits and the amount of financial subsidy are determined at the discretion of the relevant government authority. Financial subsidies are recognized as other income when received. Components of other income for the years ended December 31, 2012, 2013 and 2014 were as follows:

	2012	2013	2014
	RMB	RMB	RMB
Financial subsidies	90,280,139	119,697,248	132,094,928
Dividends from a cost method investment	—	—	39,036,138
Bank charges	(10,628,266)	(18,940,474)	(49,713,255)
Foreign exchange gains/(losses)	(9,781,057)	32,523,857	(55,930,392)
Reimbursement from the depository	7,914,706	17,507,842	—
Loss from disposal of property, equipment and software	(653,191)	(11,946,443)	—
Gain from the re-measurement of the previously held equity interest to the fair value in the business acquisition (Note 2)	—	—	100,185,800
Loss from impairment of long-term investment (Note 9)	—	—	(33,000,000)
Gain/(loss) on disposal of cost method investment	—	4,014,829	(1,529,046)
Gain on disposal of equity investment	—	592,742	—
Gain on deconsolidation of subsidiaries	44,432,052	—	789,193
Others	8,723,560	19,672,773	12,073,069
Total	<u>130,287,943</u>	<u>163,122,374</u>	<u>144,006,435</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 and Software Hotel Information, the subsidiaries of the Company. Appropriations to discretionary surplus reserve are at the discretion of the board of directors of the VIEs. These reserves can only be used for specific purposes and are not transferable to the Company in form of loans, advances, or cash dividends. During the years ended December 31, 2012, 2013, and 2014, appropriations to statutory reserves have been made of approximately RMB3.4 million, RMB13.5 million, and RMB15.6 million, respectively. The Company's subsidiary in Taiwan, ezTravel, is required to allocate 10% of its after-tax profit to the statutory reserve in accordance with the Taiwan regulations. During the years ended December 31, 2012 and 2013, appropriations to statutory reserves equivalent to approximately RMB1.8 million and RMB 1.7 million have been made, respectively. There is no such regulation of providing statutory reserve in Hong Kong.

Dividends

Dividends are recognized when declared.

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

generated in RMB to fund our business activities outside China or to make dividend payments in U.S. dollars. Restricted net assets of the Company's PRC subsidiaries and VIEs not distributable in the form of dividends to the parent as a result of the aforesaid PRC regulations and other restrictions were RMB1.9 billion as of December 31, 2014.

As a result of the aforementioned PRC regulation and the Company's organizational structure, accumulated profits of the subsidiaries in PRC distributable in the form of dividends to the parent as of December 31, 2012, 2013 and 2014 were RMB3.6 billion, RMB4.6 billion and RMB5.0 billion, respectively. The Company's PRC subsidiaries and VIEs are able to enter into royalty and trademark license agreements or certain other contractual arrangements at the sole discretion of the Company, for which the compensatory element of the arrangement is deducted from the accumulated profits.

Effective January 1, 2008, current CIT Law imposes a 10% withholding income tax for dividends distributed by foreign invested enterprises to their immediate holding companies outside mainland China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Distributions to holding companies in Hong Kong that satisfy certain requirements specified by PRC tax authorities, for example, will be subject to a 5% withholding tax rate.

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

Earnings per share

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

Treasury stock

On July 30, 2008 and September 30, 2008 our board of directors and shareholders respectively approved a US\$15 million share repurchase plan. On September 29, 2011, our board of directors approved another US\$100 million share repurchase plan. On June 13, 2012, our board of directors approved a US\$300 million share repurchase plan. And on April 3, 2014, our board of directors approved a US\$600 million share repurchase plan. The share-repurchase programs do not require the Company to acquire a specific number of shares and may be suspended or discontinued at any time.

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

Segment reporting

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

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

Recent accounting pronouncements

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

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

those years, beginning after December 15, 2013. The Company adopted ASU 2013-11 effective January 1, 2014. Such adoption did not have a material effect on the Company's financial position or results of operations.

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

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

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

Certain risks and concentration

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investment, accounts receivable, amounts due from related parties, prepayments and other current assets. As of December 31, 2012, 2013 and 2014, substantially all of the Company's cash and cash equivalents, restricted cash and short-term investment were held in major financial institutions located in the PRC and in Hong Kong, which management considers to be of high credit quality. Accounts receivable are generally unsecured and denominated in RMB, and are derived from revenues earned from operations arising primarily in the PRC.

No individual customer accounted for more than 10% of net revenues for the years ended December 31, 2012, 2013 and 2014. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2013 and 2014.

3. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	<u>2013</u>	<u>2014</u>
	RMB	RMB
Prepayments and deposits to vendors	1,083,771,955	2,277,055,303
Receivables from financial institution	28,303,638	65,310,413
Interest receivable	55,861,029	39,436,993
Employee advances	10,476,537	24,041,438
Prepayments for property and equipment	4,575,720	5,047,856
Others	32,767,408	58,815,332
Total	<u>1,215,756,287</u>	<u>2,469,707,335</u>

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4. LONG-TERM DEPOSITS AND PREPAYMENTS

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

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

	<u>2013</u>	<u>2014</u>
	RMB	RMB
Deposits paid to airline suppliers	127,011,881	128,845,051
Unamortized debt issuance cost	127,815,384	81,391,948
Deposits paid to hotel suppliers	13,009,271	42,495,335

Deposits paid to lessor	15,161,665	16,165,551
Deposits paid to travel bureau	2,051,195	1,387,812
Prepayments for fixed assets	263,626,283	—
Others	10,509,973	36,375,314
Total	<u>559,185,652</u>	<u>306,661,011</u>

5. LONG-TERM LOAN RECEIVABLE

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

6. LAND USE RIGHTS

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

7. PROPERTY, EQUIPMENT AND SOFTWARE

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

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

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

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

8. INVESTMENTS

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

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

LY.com

In April, 2014, the Company purchased a minority stake of LY.com, a leading local attraction ticket service provider, with a cash consideration of approximately RMB1.4 billion. According to the purchase and shareholders agreement, the Company has the substantive liquidation preference right which allows the Company to receive a priority in liquidation assets allocation over the other shareholders under the liquidation events. With such liquidation preference, the investment is not considered to be in substance of LY.com's common stock. Therefore, the Company recorded this investment as an available-for-sale equity security and subsequently measured at its fair value.

Hanting

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

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

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

Easy Go

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

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

eHi

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

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

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

Tuniu

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

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

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

A travel agency focusing on teenager market

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

A big-data advertisement company

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

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

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Happy City

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

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

Dining Secretary

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

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

Homeinns

The Company purchased ADSs of Homeinns from time to time through the open market and in a private placement transaction. As of December 31, 2014, the Company held an aggregate equity interest of approximately 15.1% of the outstanding shares of Homeinns (or 14,400,765 shares). Given the level of investment and the common directors on Board of both companies, the Company applied equity method of accounting to account for the investment in Homeinns.

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

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

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

	2013 RMB	2014 RMB
Investment cost		
Balance at beginning of year	570,709,828	554,626,285
Foreign currency translation	(16,083,543)	14,052,966
Total investment cost	<u>554,626,285</u>	<u>568,679,251</u>
Value booked under equity method		
Share of cumulative profit	265,745,783	357,085,613

Amortization of identifiable intangible assets, net of tax	(18,821,200)	(22,799,936)
Total booked value under equity method.	246,924,583	334,285,677
Net book value	801,550,868	902,964,928

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

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

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

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

Skyeas

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

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

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

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

Keystone

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

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Zhong An Online

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

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

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

9. FAIR VALUE MEASUREMENT

In accordance with ASC 820-10, the Company measures short-term investments and available-for-sale investments at fair value on a recurring basis. Available-for-sale investments classified within Level 1 are valued using quoted market prices that currently available on a securities exchange registered with the Securities and Exchange Commission (SEC). Short-term investments classified within Level 2 are valued using directly or indirectly observable inputs in the market place. The available-for-sale investments classified within Level 3 are valued based on a model utilizing unobservable inputs which require significant management judgment and estimation. The estimated fair value of long-term loans approximated the carrying amount as of December 31, 2013 and 2014, as the interest rates of the long-term loans are considered as approximate the current rate for comparable loans at the respective balance sheet dates.

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

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

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

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

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

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

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital ("WACC")	19%

	Terminal growth rate	3%
	Lack of marketability discount (“LoMD”)	28%
Option pricing model	Time to liquidation	3 years
	Risk-free rate	3.43%
	Expected volatility	50.89 %
	Probability	Liquidation scenario: 20%
		IPO scenario: 80%
	Dividend yield	Nil

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

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

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

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

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

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

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

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

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

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

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

Fair value of available-for-sale (Level 3) investment as at December 31, 2014	35,422,061
Fair value of available-for-sale investment (Level 3) as at December 31, 2014 (US\$)	5,709,000

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

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

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

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

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

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

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

The Company determined the fair value of their investment by using an income approach concluding on the overall investee’s equity value and allocating this value to the various classes of preferred and common shares by using an option-pricing method. The determination of the fair value was assisted by an independent appraisal, based on estimates, judgments and information of other comparable public companies.

10. GOODWILL

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

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

Others	33,545,672	9,383,458
Balance at end of period	<u>972,531,184</u>	<u>1,892,507,708</u>

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

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

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

11. INTANGIBLE ASSETS

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

	<u>2013</u>	<u>2014</u>
	RMB	RMB
Intangible assets		
Intangible assets to be amortized		
Non-compete agreements	11,479,610	11,479,610
Customer list	15,942,578	85,642,578
Supplier Relationship	27,780,000	27,780,000
Technology patent	9,240,000	9,240,000
Cross-border travel agency license	1,117,277	1,117,277
Others	790,000	790,000
Intangible assets not subject to amortization		
Trade mark	314,329,235	551,381,191
Golf membership certificate	4,200,000	4,200,000
Others	8,785,287	17,783,205
	<u>393,663,987</u>	<u>709,413,861</u>
Less: accumulated amortization		
Intangible assets to be amortized		
Non-compete agreements	(11,479,610)	(11,479,610)
Customer list	(11,982,578)	(13,247,103)
Supplier Relationship	(3,178,333)	(5,956,333)
Technology patent	(9,240,000)	(9,240,000)
Cross-border travel agency license	(1,117,277)	(1,117,277)
Others	(13,167)	(171,167)
	<u>(37,010,965)</u>	<u>(41,211,490)</u>
Net book value		
Intangible assets to be amortized		
Non-compete agreements	—	—
Customer list	3,960,000	72,395,475
Supplier Relationship	24,601,667	21,823,667
Technology patent	—	—
Cross-border travel agency license	—	—
Others	776,833	618,833
Intangible assets not subject to amortization		
Trade mark	314,329,235	551,381,191
Golf membership certificate	4,200,000	4,200,000
Others	8,785,287	17,783,205
	<u>356,653,022</u>	<u>668,202,371</u>

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

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

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

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

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

12. SHORT-TERM DEBT

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

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

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

13. RELATED PARTY TRANSACTIONS

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

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

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

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

- (c) As of December 31, 2014, the Company provided shareholder's loan of US\$80 million to Skyseas. The interest rate is 3% per annum currently and shall be subject to annual review and adjustment with mutual consent. The loan is guaranteed by a vessel mortgage and shall be paid back by installments through 2020. The balance of the loan together with the interest for the year ended December 31, 2014 is presented as above.
- (d) Starway Hong Kong entered into agreements with the Company to provide hotel rooms for our customers. Commissions from Starway Hong Kong started from the deconsolidation date to the year ended December 31, 2012 and started from January 1, 2013 to November 30, 2013 is presented as above.
- (e) In April, 2014, the Company purchased a minority stake of LY.com. The Company has entered into agreements to provide hotel rooms to LY.com. Commissions to LY.com starting from April, 2014 to December 31, 2014 are presented as above.
- (f) The Company's tour package supplier, Ananda is an associate of Wing On Travel. Tour package purchase from Ananda for the years ended December 31, 2012, 2013 and 2014 is presented as above.
- (g) The Company entered into printing agreements with TripTX Travel Media Group, one of the subsidiaries of Joyu Tourism Operating Group. Joyu Tourism Operating Group has a director in common with the Company. Total printing expense to Joyu Tourism Operating Group for the years ended December 31, 2012 are presented as above.

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

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

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

14. EMPLOYEE BENEFITS

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

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15. TAXATION

Cayman Islands

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

Hong Kong

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

Taiwan

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

China

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

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

In 2002, China's State Administration of Taxation passed an implementation for the preferential tax treatment in China's Western Region. Enterprises falling within the Catalog of Encouraged Industries in the Western Region ("Old Catalog") enjoyed a preferential income tax rate of 15% from 2001 to 2010. In 2011, Chengdu Ctrip and Chengdu Ctrip International obtained approval to use the 15% tax rate for 2010 income tax. The qualification has an effective period which expired on December 31, 2010. The Company applied 25% rate for CIT filing in 2011. In 2012, China's State Administration of Taxation extended the period to 2020. In 2012, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% tax rate for 2011 tax filing with an effective period from 2012 to 2015. In 2013, Chengdu Information Technology Co., Ltd. ("Chengdu Information") obtained approval from local tax authorities to apply the 15% tax rate for 2012 tax filing with an effective period from 2013 to 2016. In 2014, a new Catalog of Encouraged Industries in the Western Region ("New Catalog") has been released. Under the "New Catalog", the Company may apply the 15% rate for CIT filing upon agreement by the in-charge tax authorities.

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

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

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

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

Composition of income tax expense

The current and deferred portion of income tax expense included in the consolidated statements of income for the years ended December 31, 2012, 2013 and 2014 were as follows:

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

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

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

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

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

Withholding tax	10%	—	—
Effective CIT rate	31%	26%	97%

Significant components of deferred tax assets and liabilities:

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

Movement of valuation allowances:

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

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As of December 31, 2013 and 2014, valuation allowance of RMB87 million and RMB183 million was provided for operating loss carry forwards related to certain subsidiary based on then assessment where it is more likely than not that such deferred tax assets will not be realized. If events were to occur in the future that would allow us to realize more of our deferred tax assets than the presently recorded net amount, an adjustment would be made to the deferred tax assets that would increase income for the period when those events occurred.

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

The provisions for income taxes for the years ended December 31, 2012, 2013 and 2014 differ from the amounts computed by applying the CIT primarily due to preferential tax rate enjoyed by certain of the Company's subsidiaries and VIEs in the PRC.

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

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

16. OTHER PAYABLES AND ACCRUALS

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

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

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

17. LONG-TERM DEBT

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

Description of 2017 Convertible Senior Notes

On September 24, 2012, the Company issued US\$180 million in aggregate principal amount of 0.5% Convertible Senior Notes due September 15, 2017 (the “Notes”) at par. The Notes may be converted, under certain circumstances, based on an initial conversion rate of 51.7116 American depository shares (“ADS”) per US\$1,000 principal amount of the Notes (which represents an initial conversion price of US\$19.34 per ADS).

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

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

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

Purchase Call Option

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

Sold Warrants

The Company received US\$26.6 million from the same counterparty from the sale of warrants to purchase up to approximately 9.3 million shares of the Company’s ADS at an exercise price of US\$26.37 per ADS. The warrants had an expected life of 5 years and expire on September 15, 2017. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of December 31, 2014, the warrants had not been exercised and remained outstanding.

Evaluation that transactions should be viewed as a single unit:

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

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

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

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

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

Non-contingent redemption option

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

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

Conversion

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

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

Early conversion of 2017 Convertible Senior Notes

The Company offered the public tranche of the 2017 Notes holders to convert their Notes early, through an inducement. The inducement we offered included the original term's ratio for ADS conversion plus a cash incentive of 1.5%-2.0%. As a result of the inducement, in 2013, US\$45.5 million of the notes was tendered, or 2.35 million ADS at the initial conversion rate of 51.7116 ADS per note. In 2014, US\$61.6 million of the notes was tendered, or 3.4 million ADS at the initial conversion rate of 51.7116 ADS per note. These conversions did not materially impact the current shares outstanding.

Early termination of Call Option

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

Description of 2018 Convertible Senior Notes

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

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

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

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

Purchase Call Option

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

Sold Warrants

The Company received US\$77.2 million from the same counterparty from the sale of warrants to purchase up to approximately 10.2 million shares of the Company's ADS at an exercise price of US\$96.27 per ADS. The warrants had an expected life of 5 years and expire on October 15, 2018. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of December 31, 2014, the warrants had not been exercised and remained outstanding.

Use of Proceeds

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

Evaluation that transactions should be viewed as a single unit:

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

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

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

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

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

Non-contingent redemption option

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

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

Conversion

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

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

Assessment of Beneficial Conversion Feature and Contingent Beneficial Conversion Feature:

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

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

Accounting for Debt Issuance Costs:

The debt issuance costs were recorded as deferred issuance costs and are amortized as interest expense, using the effective interest method, over the term of the Notes pursuant to ASC 835-30-35-2.

Accounting for Purchased Call Option:

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

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Accounting for Issued Warrants:

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

Description of Priceline Convertible Notes

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

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

In addition, the Company has granted the Priceline Group permission to acquire the Company’s shares in the open market over the next twelve months, so that combined with the shares convertible under the bond, the Priceline Group may hold up to 10% of the Company’s outstanding shares. As the potential purchase will be conducted by the market price, there is no accounting implication.

18. TREASURY STOCK

Accelerated share repurchase arrangement

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

Upon maturity:

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

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

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

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

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

19. NON-CONTROLLING INTERESTS

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

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

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

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

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

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

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

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

20. EARNINGS PER SHARE

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB	RMB	RMB
Numerator:			
Net income attributable to Ctrip's shareholders	714,405,864	998,319,684	242,739,781
Eliminate the dilutive effect of interest expense of convertible bond	4,617,398	15,496,021	—
Numerator for diluted earnings per share	<u>719,023,262</u>	<u>1,013,815,705</u>	<u>242,739,781</u>
Denominator:			
Denominator for basic earnings per ordinary share - weighted average ordinary shares outstanding	34,236,761	32,905,601	34,289,170
Dilutive effect of share options	1,230,941	2,359,614	3,106,496
Dilutive effect of convertible bond	623,083	2,206,157	—
Dilutive effect of convertible bond sold warrants	—	598,469	812,192
Denominator for diluted earnings per ordinary share	<u>36,090,785</u>	<u>38,069,841</u>	<u>38,207,858</u>
Basic earnings per ordinary share	<u>20.87</u>	<u>30.34</u>	<u>7.08</u>
Diluted earnings per ordinary share	<u>19.92</u>	<u>26.63</u>	<u>6.35</u>
Basic earnings per ADS	<u>5.22</u>	<u>7.58</u>	<u>1.77</u>
Diluted earnings per ADS	<u>4.98</u>	<u>6.66</u>	<u>1.59</u>

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

For the years ended December 31, 2012, 2013 and 2014, the Company had securities which could potentially dilute basic earnings per share in the future, which were excluded from the computation of diluted earnings per share as their effects would have been anti-dilutive. Such weighted average numbers of ordinary shares outstanding are as following:

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

21. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

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

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

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

Capital commitments

As of December 31, 2014, the Company had outstanding capital commitments totaling RMB70 million, which consisted of capital expenditures of property, equipment and software.

Guarantee

In connection with our air ticketing business, the Group is required by the Civil Aviation Administration of China, International Air Transport Association, and local airline companies to pay deposits in order to or to provide other guarantees obtain blank air tickets. As of December 31, 2014, the amount under these guarantee arrangements was approximately RMB884 million.

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

Contingencies

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

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The Company is incorporated in Cayman Islands and is considered as a foreign entity under PRC laws. Due to the restrictions on foreign ownership of the air-ticketing, travel agency, advertising and internet content provision businesses, the Company conducts these businesses partly through various VIEs. These VIEs hold the licenses and approvals that are essential for the Company's business operations. In the opinion of the Company's PRC legal counsel, the current ownership structures and the contractual arrangements with these VIEs and their shareholders as well as the operations of these VIEs are in compliance with all existing PRC laws, rules and regulations. However, there may be changes and other developments in PRC laws and regulations. Accordingly, the Company cannot be assured that PRC government authorities will not take a view in the future contrary to the opinion of the Company's PRC legal counsel. If the current ownership structures of the Company and its contractual arrangements with VIEs were found to be in violation of any existing or future PRC laws or regulations, the Company may be required to restructure its ownership structure and operations in China to comply with changing and new Chinese laws and regulations.

22. SUBSEQUENT EVENTS

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

SOHO (Shanghai) Investment Co., Ltd

And

CTRIP Internet Technology (Shanghai) Co., Ltd

Feicheng (Shanghai) Tourism Products Trading Co., Ltd

Aocheng Information Technology (Shanghai) Co., Ltd

Hucheng (Shanghai) Internet Technology Co., Ltd

Echeng (Shanghai) Data Processing Co., Ltd

Framework Agreement

In relation to

Pre-sale of Lingkong SOHO

September 26th, 2014

Content

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Exhibit I: Renderings of Lingkong SOHO and the layout plan of transaction target

Exhibit II: Lingkong Pre-sale Agreement of Office Space (Template)

Exhibit III: Lingkong Pre-sale Agreement of Retail Space (Template)

Exhibit IV: Restated preliminary property management agreement (Lingkong SOHO)

Exhibit V: Restated provisional management protocols (Lingkong SOHO)

Exhibit VI: Details of transaction target

Exhibit VII: Decoration and equipment of transaction target and Building No.10 of block 6 (Drawings attached)

Exhibit VIII Property management of transaction target

Exhibit IX Layout of transacted parking lots

Exhibit X Sales agreement of parking lots (template)

Exhibit XI Usage agreement of parking lots

This framework agreement for the pre-sale of lingkong SOHO (hereinafter as this “Framework agreement”) is entered into by and between Party A and Party B1, Party B2, B3, B4 and B5 on September 26th, 2014 (hereinafter as “execution date”):

Party A:

SOHO (Shanghai) Investment Co., Ltd
Legal representative: Pan Shiyi
Registered office: Room 558, Block 8, No. 33, Guangshun Road, Shanghai

Party B:

Party B1: CTRIP Internet Technology (Shanghai) Co., Ltd (hereinafter as “CTRIP”)
Legal representative: Fan Min
Registered office: No. 99, Fuquan Road, Shanghai

Party B2: Feicheng (Shanghai) Tourism Products Trading Co., Ltd
Legal representative: Fan Min
Registered office: Section K, 6/F, Block 1, No. 99, Fuquan Road, Shanghai

Party B3: Aocheng Information Technology (Shanghai) Co., Ltd
Legal representative: Fan Min
Registered office: Section L, 6/F, Block 1, No. 99, Fuquan Road, Shanghai

Party B4: Hucheng (Shanghai) Internet Technology Co., Ltd
Legal representative: Fan Min
Registered office: Section M, 6/F, Block 1, No. 99, Fuquan Road, Shanghai

Party B5: Echeng (Shanghai) Data Processing Co., Ltd
Legal representative: Fan Min
Registered office: Section N, 6/F, Block 1, No. 99, Fuquan Road, Shanghai

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In this framework agreement, “Buyer” includes Party B2, Party B3, Party B4, Party B5 and any CRTIP entities designated by Party B1 upon such designation (see article 2.4.1 of this agreement). “Party B” means CRTIP and Party B2, Party B3, Party B4, Party B5 and any CRTIP entities designated by Party B1 upon such designation. Party A and Party B shall be referred into as “party” individually and “parties” collectively.

Whereas, Party A and CRTIP concluded the Letter of Intention for the Pre-sale of Lingkong SOHO (hereinafter as “LOI”) for the pre-sale of the transaction target (as defined under article 1.2 of this agreement) in the Lingkong SOHO (as defined under article 1.1 of this agreement) on April 24th, 2014, and thereafter concluded the supplement agreement of LOI and supplement agreement II of LOI respectively on May 9th, 2014 and September 12th, 2014. In accordance with the supplement agreement of LOI, both parties thereto shall promptly conclude framework agreement for the pre-sale of transaction target on or before October 8th, 2014, upon the LOI taking effect.

Therefore, in accordance with relevant laws and regulations and based on mutual consent and equality, Party A and Party B1, Party B2, Party B3, Party B4 and Party B5 conclude this framework agreement regarding the pre-sale of transaction target and other related matters.

1 Definitions

- 1.1 “Lingkong SOHO” means the SOHO plaza located at No. 968, Jinzhong Road, Changning, Shanghai;
- 1.2 “Transaction target” means the following properties to be bought by Party B from Party A:
 - 1.2.1 “Office space” means the 116 units of office space within No. 16 and No. 18 of block 1 of Lingkong SOHO, and 208 units of office space within No. 8, No. 12, No. 15 and No. 17 of Block 2; and
 - 1.2.2 “Retail space” means the 2 units of retail space within No. 16 and No. 18 of block 1 of Lingkong SOHO, and 2 units of retail space within No. 8, No. 12, No. 15 and No. 17 of Block 2.
- 1.3 “Preliminary survey report” means the survey report of property entitlement (Fang-Changce-13-0020) issued by Property and Land Survey Center of Changning on September 29th, 2013.
- 1.4 “Lingkong SOHO pre-sale agreement of office space” mean the pre-sale agreement executed by and between Party A and Party B2, Party B3, Party B4 and Party B5 in accordance with relevant provisions hereof regarding any/all office space (namely all units of office space). Each of these pre-sale agreements shall be subject to the content, type and form of the Exhibit II hereto (Lingkong Pre-sale Agreement of Office Space (Template));

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- 1.5 “Lingkong SOHO pre-sale agreement of retail space” means the pre-sale agreement executed by and between Party A and the CTRIP entities in accordance with relevant provisions hereof regarding any/all retail space (namely all units of retail space). Each of these pre-sale agreements shall be subject to the content, type and form of the Exhibit III hereto (Lingkong Pre-sale Agreement of Retail Space (Template));
- 1.6 “Pre-sale agreements” mean all/any Lingkong SOHO pre-sale agreements of retail space and Lingkong SOHO pre-sale agreements of office space.
- 1.7 “Transaction documents” mean (1) this framework agreement, (2) all/any of Lingkong SOHO pre-sale agreements of office space; (3) all/any of the Lingkong SOHO pre-sale agreements of retail space; (4) all/any of the sale agreements of parking-lots (as defined in article 1.20 of this agreement); (5) usage agreement of parking lots (as defined in article 1.21 of this agreement); and (6) the lease agreement of building No. 10 between Party A and Party B1 (as defined in article 2.5.3 of this agreement);
- 1.8 “Online confirmation” means (1) Party A and Party B2, Party B3, Party B 4 and Party B5, with the encrypted key of the real estate trading system of Shanghai held by Party A and in accordance with this agreement, record, fill, input and post relevant information and terms of relevant office space to generate the presale agreement of commodity house of Shanghai as registered with such system, and execute such presale agreement; (2) Party A and any CTRIP entity, with the encrypted key of the real estate trading system of Shanghai held by Party A and in accordance with this agreement, record, fill, input and post relevant information and terms of relevant retail space to generate the presale agreement of commodity house of Shanghai as registered with such system, and execute such presale agreement;; and/or (3) Party A and Buyer, with the encrypted key of the real estate trading system of Shanghai held by Party A and in accordance with the content, type and form of Exhibit X of this agreement (sale agreement of parking lots (template)), record, fill, input and post relevant information and terms of relevant parking lots (as defined in article 1.25 hereof) to generate the sales agreement of commodity house of Shanghai as registered with such system, and execute such sales agreement;
- 1.9 “Total price” means the total value of transaction target, in the amount of RMB 3,004,995,000 (three billion four million nine hundred and ninety-five thousand sharp), of which the total value of office space equals to the preliminary area of office space under article 2.1 hereof multiplying the unit price of office space under article 3.1.1 of this agreement, in the amount of RMB 2,774,263,800 (two billion seven hundred and forty-four million two hundred and sixty-three thousand eight hundred sharp), and the total value of retail space equals to the preliminary area of retail space under article 2.1 hereof multiplying the unit price of retail space under article 3.1.1 of this agreement, in the amount of RMB 260,731,200 (two hundred and sixty million seven hundred and thirty-one thousand two hundred sharp). The total price is the sum of the total value of office space and the total value of retail price, subject to the adjustment under article 3.1.3 of this agreement.

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- 1.10 “First payment” means the first payment to be made by party B to party A at 25% of the total price, in the amount of RMB 751, 248,750 (seven hundred and fifty-one million two hundred and forty-eight thousand seven hundred and fifty sharp).
- 1.11 “Second payment” means the second payment to be made by party B to party A at 15% of the total price, in the amount of RMB 450,749,250 (four hundred and fifty million seven hundred and forty-nine thousand two hundred and fifty sharp).
- 1.12 “Third payment” means the third payment to be made by Party B to Party A at 40% of the total value of retail space under article 1.9 hereof, in the amount of RMB 104,292,480 (One hundred and four million two hundred and ninety-two thousand four hundred and eighty sharp);
- 1.13 “Fourth payment” means the fourth payment to be made by Party B to Party A in accordance with article 3.2.4 of this agreement at 40% of the total value of office space under article 1.9 hereof, in the amount of RMB 1,097,705,520 (One billion ninety-seven million seven hundred and five thousand five hundred and twenty sharp);
- 1.14 “Fifth payment” means the fifth payment to be made by Party B to Party A in accordance with article 3.2.5 of this agreement at 20% of the total price, in the amount of RMB 600,999,000 (Six hundred million nine hundred and ninety-nine thousand sharp);
- 1.15 “Final survey report” means the survey report of property (final) of Lingkong SOHO (or documents of similar nature) issued by qualified property survey institute and approved by real estate administration department.
- 1.16 “Combined property certificate” means the Shanghai property certificate of transaction target in favor of Party A obtained by party A in the course of application with real estate trading center of Changning for the primary registration of property of Lingkong SOHO including transaction target.
- 1.17 “Individual property certificate” means each buyer, upon online confirmation of relevant Lingkong SOHO presale agreement of office space, Lingkong SOHO presale agreement of retail space or sale agreement of parking lots (as defined in article 1.20 hereof), files with the real estate trading center Changning for the title transfer of relevant office space, retail space or parking lots thereunder respectively, and obtains the Shanghai property certificate thereof in favor of the buyer.

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- 1.18 “Sqm” means the unit for the calculation of floor area under this agreement.
- 1.19 “Total consideration of parking lots” means the total consideration to be made by Party B to Party A in accordance with article 5 of this agreement for relevant parking lots, in the amount of RMB 45,005,000 (forty-five million and five thousand sharp).
- 1.20 “Sales agreement of parking lots” means all/any of the sales agreements of commodity house of Shanghai executed by Party A and buyer in accordance with article 5.2 of this agreement for relevant parking lots under transaction by way of online confirmation.

- 1.21 “Usage agreement of parking lots” means the agreement entered into by and between Party A and relevant buyer in accordance with 5.3 hereof for the use of relevant parking lots after the delivery thereof and before the completion of title transfer of such parking lots. Please see the usage agreement of parking lots in Exhibit XI hereto.
- 1.22 “Usage term of parking lots” means the term to use relevant parking lot by Party B in accordance usage agreement of parking lot, the commencement date and expiry date of which shall be subject to article 5.3 hereof.
- 1.23 “China” means the People’s Republic of China, for the purpose of this agreement, excluding Hong Kong, Macau and Taiwan.
- 1.24 “CTRP related companies” mean the companies controlled directly or indirectly by the NASDAQ listed company Ctrip.com International Ltd (CTRP) through one or more intermediates, corporate, companies or entities, “control” means the power to direct or cause to direct the management and policy of a company directly or indirectly through one or more intermediates, corporate, companies or entities, whether by ownership of voting rights or contract or otherwise;
- 1.25 “Transacted parking lots” mean the aggregate 1000 parking lots within Lingkong SOHO to be provided by Party A to Party B in accordance with article 5.1 of this agreement;
- 1.26 “Lease year” means that the first lease year is the period starting from the delivery date of Building No.10 of block 6 of Lingkong SOHO to the preceding day of the first anniversary of the delivery date of the succeeding calendar year, and so on.

2 Transaction arrangement

- 2.1 Party A will (1) pre-sell the office space and retail space to Buyer; (2) lease Building No.10 of Block 6 of Lingkong SOHO to Party B1; and (3) sell transacted parking lots to Buyer. In accordance with the preliminary survey report, the estimated floor area of office space is 91,475.46 sqm; the estimated floor area of retail space is 8,691.04square meters, and the estimated floor area of Building No.10 of Block 6 Lingkong SOHO is 126.34 square meters.
- 2.2 The renderings of Lingkong SOHO and the layout plan of transaction target and Building No.10 of Block 6 SOHO are attached to this agreement as Exhibit I (Renderings of Lingkong SOHO and the layout plan of transaction target and Building No.10 of Block 6 SOHO). To avoid any doubt, the Exhibit I hereto is for reference only, and shall not be deemed as accurate descriptions of the rendering of Lingkong SOHO and the seating of transaction target and Building No.10 of Block 6 SOHO.
- 2.3 It is agreed and acknowledged that, the floor area of transaction target and Building No.10 of Block 6 SOHO shall be subject to those indicated in the final survey report. And if the final survey report shows that the seating of transaction target and/or Building No.10 of Block 6 SOHO is inconsistent with Exhibit I, or it shows that the actual floor area of any office space or any retail space or Building No.10 of Block 6 SOHO is inconsistent with the estimated floor area thereof respectively, such inconsistency shall not be deemed as Party A’s breaches of transaction documents, and transaction documents remain in full force with adjustment thereto in accordance with article 3.1.3 of this agreement of the total amount indicated under article 3 of applicable presale agreement of any office space and/or retail space which is subject to such inconsistency.
- 2.4 Transaction arrangement for retail space
- 2.4.1 Party B1 shall designate up to four (4) CTRIP related companies (hereinafter as “CTRP designated entities”) to buy the retail space, and ensure that the CTRIP designated entities shall within thirty (30) calendar days after the date of this framework agreement complete the online confirmation of the Lingkong SOHO presale agreements of retail space. Party B1 shall provide Party A with the copies of business licenses of CTRIP designated entities no later than October 20th, 2014, or the completion date of the online confirmation shall be postponed accordingly. To avoid any doubt, subject to the satisfaction of all conditions set forth in article 2.4.3 of this agreement, Party A remains in obligation to deliver retail space to Party B2, Party B3, Party B4 and party B5 in accordance with article 7.1 hereof before the completion of online confirmation of Lingkong SOHO presale agreements of retail space, and the vacant period (as defined in Exhibit VIII hereto) of retail space shall commence from the delivery thereof to buyer.

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- 2.4.2 Any and all payment made by CTRIP related companies to party A for the purchase of retail space on or before the date of this agreement in accordance with LOI shall be deemed as payment made by CTRIP designated entities for the retail space, and CTRIP designated entities are under no obligation to make repeated payment under applicable Lingkong SOHO presale agreement of retail space. As of the date of this agreement, CTRIP related companies have paid eighty percent (80%) of the total value of retail space.
- 2.4.3 If the online confirmation of the Lingkong SOHO presale agreements of retail space is postponed in accordance with article 2.4.1 hereof, and subject to the satisfaction of all of the following conditions, Party A shall deliver the retail space together with the office space in accordance with article 7.1 hereof to Party B2, Party B3, Party B4 and Party B5, and ensure that Party B2, Party B3, Party B4 and Party B5 may from the delivery thereof occupy and utilize the retail space for their own interests without payment of rent or similar expenses to party A: (1) Party A has received the fifth payment, and (2) Party B1, Party B2, Party B3, Party B4 and Party B5 have properly performed their due obligations under transaction documents. In case of delivery of retail space to party B2, Party B3, Party B4 and Party B5 as required in preceding provisions, and after the completion of online confirmation of Lingkong SOHO presale agreements of retail space, Party B2, Party B3, Party B4 and Party B5 shall deliver retail space to CTRIP designated entities, and Party A shall take no responsibility for such delivery. The provisions under this clause shall not affect the provisions set forth in Exhibit VIII hereto regarding the vacant period, management fee and energy costs of retail space (i.e. upon delivery of retail space to Party B2, Party B3, Party 4 and Party B5, applicable buyer shall pay for management services and energy expenses for retail space in accordance with Exhibit VIII hereto), and the risks of retail space shall pass to buyer upon delivery.

2.4.4 Notwithstanding the preceding provisions about delivery and utilization of retail space, Party B agrees that, Party A shall be responsible for the tenants solicitation for all retail property of Lingkong SOHO (including retail space hereunder), and the rent of retail space belongs to CTRIP designated entities, and CTRIP designated entities shall bear the commission for such solicitation work (if any), and if the tenant is solicited by Party A, relevant commission shall go to Party A. CTRIP designated entities shall dispatch personnel to participate into the tenant solicitation team of Party A, and the solicitation plan and rental area index of retail space shall be incorporated into the mission criteria of Party A's solicitation team (however the failure to meet such criteria shall not operate as breaches of Party A). Party A and CTRIP designated entities shall meet regularly to coordinate and review the coordination work, and any suggestions made by Party A regarding rent of retail space shall be implemented subject to consent of CTRIP designated entities, however CTRIP designated entities have the final discretion on the tenant of retail space. Details of tenant solicitation work and calculation of commission thereof shall be agreed by Party A and CTRIP designated entities based on the spirit of the preceding provisions. To avoid any doubt, those provisions above mentioned in this clause shall be construed as that Party A must complete the tenant solicitation work.

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2.4.5 Upon establishment of CTRIP designated entities, Party B1 shall procure that CTRIP designated entities shall immediately execute the documents with the following provisions: (1) acknowledgement that CTRIP designated entities shall from their establishment be bound by this framework agreement, usage agreement of parking lots, restated preliminary property management agreement (Exhibit IV hereto) and restated provisional management protocols (Exhibit V hereto) and other transaction documents in relation to the retail space, and enjoy the rights under transaction documents and bear the obligations thereunder, and all presentations and warranties made by party B under this agreement shall be deemed as made by CTRIP designated entities; (2) if there are more than one (1) CTRIP designated entities, CTRIP designated entities agree to take several and joint liabilities for the obligations and liabilities under transaction documents; and (3) CTRIP designated entities take several and joint liabilities to Party A for the obligations and liabilities of party B1, Party B2, party B3, Party B4 and Party B5 under transaction documents.

2.5 Lease of Lingkong SOHO Building No.10 of block 6

2.5.1 Party A agrees to lease Building No.10 of block 6 to Party B1 for five (5) years, starting from the delivery of Building No.10 of block 6 to Party B1, the annual rent shall be RMB 200,000 (two hundred thousand sharp), which shall be paid quarterly.

2.5.2 Party B1 is entitled to one (1) renewal of the lease of Building No.10 of block 6 to extend the lease for five (5) lease years, and the annual rent during such extension shall be RMB 400,000 (four hundred thousand). Party B1 shall give written notice to Party A three (3) month before the expiry of lease term to inform its decision on renewal. And if Party B1 fails to give such notice three (3) month before the expiry of lease, Party A may lease the Building No.10 of block 6 to any third party upon expiry of lease in accordance with article 2.5.1 hereof.

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2.5.3 The lease agreement of Building No.10 of block 6 shall be separately negotiated and executed by party A and Party B1 in accordance with the spirit of article 2.5 hereof after the date of this agreement ("lease of No.10 building"). Upon execution of all transaction documents (except any Lingkong SOHO presale agreements of retail space for which the online confirmation is postponed in accordance with article 2.4.1 hereof), Party A shall deliver the Building No.10 of block together with office space to Party B1. To avoid any doubt, under all circumstances, the delivery of Building No.10 of block 6 shall always be subject to the receipt by Party A of the Shanghai Construction Completion Inspection Certificate of Lingkong SOHO.

3 Total price of transaction target and payment

3.1 Price of transaction target

3.1.1 The unit price of office space is RMB 30,000/m²(thirty thousand), and the unit price of retail space is RMB 30,000/m² (thirty thousand). The total value of each and every unit of retail space and office space shall be calculated by applicable unit price multiplying the estimated floor area of such unit as indicated in the preliminary survey report, and the results of such calculation are set forth in Exhibit VI hereto (Details of transaction target).

3.1.2 The total price of transaction target is RMB 3,004,995,000 (three billion four million nine hundred and ninety-five thousand sharp), which remains flat and shall not be subject to any adjustment or floating, except otherwise agreed in article 3.1.3 of this agreement as follows.

3.1.3 It is agreed and acknowledged that, even if the actual floor area of all or any office space and/or retail space as indicated in the final survey report is inconsistent with the estimated floor area, the unit prices under article 3.1.1 hereof shall remain in full force, however, both parties shall within thirty (30) calendar days after receipt of final survey report adjust the total value specified in article 3 of applicable presale agreement of any unit of retail space and/or office space which is subject to such inconsistency in accordance with the unit price of RMB 30,000 (thirty thousand), the total price shall be adjusted accordingly.

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3.2 Party B shall pay the total price to Party A as follows:

- 3.2.1 Upon execution of this agreement, Party B has paid the first payment, the second payment and the third payment to Party A in accordance with LOI, and party A has issued relevant receipts for the first payment, the second payment and the third payment made by Party B, and Party B hereby acknowledges that it has received such receipts.
- 3.2.2 To avoid any doubt, it is acknowledged that the third payment shall constitute part of the total value of retail space under article 1.9 of this agreement.
- 3.2.3 Party A and Party B2, Party B3, Party B4 and Party B5 shall within thirty (30) calendar days after the date of this agreement complete the online confirmation of all presale agreements, except for any Lingkong SOHO presale agreement of retail space for which the online confirmation is delayed in accordance with article 2.4.1 hereof. Party B shall provide full and proper assistance to party A for online confirmation, including without limitation to designating competent and full authorized agent to attend the online confirmation of presale agreements at the place designated by Party A (in absence of such designation, the online confirmation shall be made at Room 311, SOHO Zhongshan Plaza, No. 1055, West Zhongshan Road, Changning, Shanghai, China.) and at the time required by Party A with party B's common seal, all as required or instructed by Party A.
- 3.2.4 The price and payment method and payment term of relevant office space or retail space to be filled for online confirmation of Lingkong SOHO presale agreements of office space or presale agreements of retail space shall comply with the following guidance:
- (1) The unit price of office space/office space is RMB 30,000; and
 - (2) The total value of relevant office space/retail space shall be subject to the total value of such space as indicated in Exhibit VI hereto (Details of transaction target).

Within twenty (20) calendar days after the online confirmation of each Lingkong SOHO presale agreement of office space (which in no event shall be later than the delivery of office space to Party B2, Party B3, Party B4 and Party B5 by Party A), Party B shall pay 40% of the total value of such presale agreement (to avoid any doubt, such payment shall be subject to the execution of such presale agreement by parties thereto). And Party A shall issue relevant receipt to party B upon receipt of such payment.

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- 3.2.5 Party B shall pay up the fifth payment before November 15th 2014 (as clarification, even if the online confirmation of the presale agreement of retail space is postponed under article 2.4.1 of this agreement, Party B is still under the obligation to pay up the fifth payment to party A before November 15th 2014), however, if Party A delivers the transaction target after November 15th 2014, Party B shall pay the fifth payment to Party A before the actual delivery of such transaction target.
- 3.2.6 Within 90 calendar days after receipt of final survey report by parties hereto and completion of adjustment to the total price in accordance with article 3.1.3 of this agreement by party A and buyer, Party A shall issue legitimate invoice to buyer in the amount equal to the total price, but if the online confirmation of presale agreements of retail space is postponed under article 2.4.1 hereof and fails to be complete within 90 calendar days after receipt of final survey report by both parties, then the date to issue legitimate invoice of the total value of retail space shall be within 90 calendar days after completion of online confirmation thereof. At the delivery of legitimate invoice to buyer by Party A, Party B shall return the original receipt of equal amount to party A. If relevant original receipt is lost by buyer, then before Party A issues legitimate invoice to buyer in the amount of total value, buyer shall sign relevant statement with its common seal and deliver such statement to party A.

- 3.3 Party A designates the following bank account for the payment of total price and the total consideration of parking lots under this framework agreement:

Beneficiary's name: SOHO (Shanghai) Investment Co., Ltd

Bank: Agricultural Bank of China, Lujiabang sub-branch, Shanghai

Bank account: 03335100040022675

The above mentioned bank and account are the agreed bank and account to be agreed by Party A and buyer in accordance with article 22.1 of the supplement provisions of presale agreement.

- 3.4 Taxes and expenses

- 3.4.1 Any taxes in relation to the title transfer of transaction target and transacted parking lots shall be borne and paid by the party who is under such obligations by laws and regulations. Any handling fee charged by real estate trading center of Changning shall be equally borne by Party A and applicable buyer, any other administrative or institutional charges (including without limitation to registration fees, survey service, drawings and handling fees) in relation to the title transfer of the transaction target and transacted parking lots which are collected by or through real estate trading center of Changning shall be borne by applicable buyer.

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- 3.4.2 The following tax and expense in relation to the transaction target and transacted parking lots which accrue from the delivery thereof to the completion of title transfer shall be borne by Party B: property tax and tax on using urban land.
- 3.4.3 If Party A has paid any taxes and expenses under article 3.4.1 or 3.4.2 for which party B is responsible, Party B shall within ten (10) calendar days after receipt of written notice from party A indicating the amount of compensation (such notice shall also provide the basis for such amount of compensation) make full compensation to Party A. To avoid any doubt, the provisions under article 3.4.1

and 3.4.2 shall not affect Party B's obligations to bear and pay any payable expenses in relation to the occupation and utilization of transaction target and transacted parking lots (such as management fee, repair, maintenance fund, energy supply and insurance cost of transaction target and transacted parking lots) from delivery thereof in accordance with Exhibit V "Restated provisional management protocols".

4 Party B

- 4.1 Party B shall take collective actions to perform the obligations under transaction documents, and all members of party B shall take joint and several liability to Party A for the obligation and liabilities of all and/or any of the members of Party B under transaction documents. And if any member of Party B fails to execute transaction documents as agreed in this agreement, or fails to perform any of its obligations under transaction documents, or refuses to take its liabilities thereunder, Party A may ask all members of Party B or any member of party B to perform all or any of such obligations, or take all or any of such liabilities.
- 4.2 Party B confirms and undertakes that, every buyer is CTRIP related company legally existing and has the capacity and ability to perform the transaction documents it executed.
- 4.3 Unless otherwise agreed in writing by parties, any payment made by Party B or parent company of CTRIP or CTRIP related company to the bank account specified under article 3.3 of this agreement shall be deemed as part of the total price and total consideration of parking lots, and the payee of such payment is unnecessarily the same with the buyer under applicable Lingkong SOHO presale agreement of retail space, Lingkong SOHO presale agreement of office space or sales agreement of parking lots.

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5 Transacted parking lots

- 5.1 It is agreed and acknowledged that, Party A shall provide 1000 parking lots in aggregate within Lingkong SOHO (of which there will be no less than 90 and no more than 290 parking lots located at first level below the ground, and the rest of transacted parking lots shall be located at the second level below the ground). The unit price of transacted parking lots is RMB 45,005 (forty-five thousand and five sharp), and the total consideration is RMB 45,005,000 (forty-five million and five thousand sharp). The total consideration of transacted parking lots shall be paid up in eleven installments (i.e. the first ten (10) installment shall be RMB 4,050,000 (four million and fifty thousand sharp) each, and the last installment shall be RMB 4,505,000 (four million five hundred and five thousand sharp). The first installment of the total consideration shall be paid before delivery of transacted parking lots to Party B in accordance with article 5.3 of this agreement, and thereafter Party B shall pay installment on or before the date of the third calendar month succeeding the calendar month of delivery of transacted parking lots which is corresponding to the delivery date, and thereafter on or before the date of the last calendar month of every three (3) calendar month which is corresponding to the delivery date (for example, if transacted parking lots are to be delivered on November 15th 2014, then Party B shall pay the first installment of the total consideration to party A before November 15th 2014, and the second installment of total consideration shall be paid to party A on or before February 15th 2015, and the third installment of total consideration shall be paid to party A on or before May 15th 2015, and so on). And if Party B fails to pay up the total consideration of transacted parking lots before the completion of online confirmation of all sales agreement of parking lots between party A and buyer, Party B shall within ten (10) calendar days after online confirmation of all sales agreement of parking lots pay up the total consideration of all parking lots. Upon receipt of total consideration of all parking lots by Party A, Party B shall file application to real estate trading center of Changning for title transfer of transacted parking lots, and Party A shall provide reasonable assistance. Despite of the provisions above mentioned, if the online confirmation of sales agreement of transacted parking lots in relation to retail space ("retail space parking lots", 90 retail space parking lots in total, the relationship between retail space and retail space parking lots shall be subject to Exhibit VI hereto) is postponed in accordance with article 5.2 hereof, Party B shall pay up the total consideration of all parking lots within ten (10) calendar days after the online confirmation of all sales agreement of transacted parking lots in relation to office space ("office space parking lots", 910 office space parking lots in total, and the relationship between office space and office space parking lots shall be subject to Exhibit VI hereto), and upon receipt of the total consideration of all transacted parking lots, Party B shall file application to real estate trading center of Changning for title transfer of office space parking lots, and Party A shall provide assistance as reasonably required.

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- 5.2 Within ninety (90) calendar days after Party A obtains the combined property certificate, Party and buyer shall make online confirmation for the sales agreement of transacted parking lots the title of which are transferrable by Party A, however if the online confirmation of Lingkong SOHO presale agreement of retail space is postponed and fails to be complete on or before the ninety (90) calendar days after Party A obtains the combine property certificate, the online confirmation of sales agreement of retail space parking lots and the online confirmation of Lingkong SOHO presale agreement of retail space shall be done in the same time. The sales agreement of parking lots shall be in compliance with the content, type and form of Exhibit X hereto (sales agreement of parking lots (template)). Unless this framework agreement or presale agreement is terminated or the online confirmation thereof is postponed in accordance with this agreement, or unless otherwise agreed by parties, under no circumstance shall any party refuses or delays the online confirmation of any sales agreement of parking lots or unilaterally terminate any sales agreement of parking lots. If Party A breaches such obligation, it shall bear relevant breaching liabilities in accordance with article 8.1.4 of this agreement, and if Party B breaches such obligation, it shall bear relevant breaching liabilities in accordance with article 8.2.4 of this agreement.
- 5.3 Transacted parking lots shall be delivered to Party B together with transaction target, and article 7.1 to 7.4 of this agreement shall apply to the delivery of transacted parking lots (except those obviously not suitable for use due to the nature of parking lot). As for the use of parking lots after delivery thereof and before the completion of title transfer of transacted parking lots ("parking lot usage term"), Party A and buyer shall execute separate usage agreement. The usage agreement of parking lots shall be executed at the execution of this agreement, and shall take effect upon completion of online confirmation of presale agreements of all office space.
- 5.4 During the parking lot usage term, Party B shall pay management fee for transacted parking lots and any other expenses (if any) specified in usage agreement of parking lots in accordance with Exhibit VIII hereto.

5.5 The layout and serial number of such 1000 transacted parking lots shall be subject to Exhibit IX hereto (layout of transacted parking lots), and the relationship between such 1000 transacted parking lots and the transaction target shall be subject to Exhibit VI hereto (details of transaction target). Party B is fully aware of the layout of such 1000 transacted parking lots and their relationship with transaction target, and holds no objections thereto. Unless otherwise arranged by Party A under this agreement, the layout of such 1000 parking lots and their relationship with the transaction target shall not be subject to any adjustment.

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5.6 It is agreed and acknowledged that the total consideration of parking lots shall be fixed and flat.

5.7 Party B is aware that all or part of the transacted parking lots to be sold by party A to Party B may be reflected in the note block of the property certificate of relevant transacted parking lots and may not obtain separate certificate thereof, and Party B holds no objections to such condition and undertakes that it shall not claim adjustment to the total consideration of parking lots for this.

5.8 Upon receipt of relevant installment of total consideration of parking lots, Party A shall issue receipt to buyer. Within 90 calendar days after buyer pays up the total consideration of all parking lots, Party A shall issue legitimate invoice to Party B in the amount equal to the total consideration, except for those contracted parking lots for which the online confirmation of sales agreement of parking lots is postponed under article 5.2 of this agreement, the invoice of such contracted parking lots shall be issued within 90 calendar days after completion of online confirmation of applicable sales agreement. At the issuance of legitimate invoice by Party A to buyer, buyer shall return applicable original receipt in the amount equal to the invoice to Party A. If original receipt is lost by buyer, then before Party A issues legitimate invoice to buyer in the amount of total consideration, buyer shall sign relevant statement with its common seal and deliver such statement to party A.

5.9 If usage agreement of parking lots is rescinded or terminated by laws or by agreement, Party B shall pay usage fee by multiplying the number of days of actual use by the number of all transacted parking lots based on the standard usage fee at RMB 1350 per month (for the calculation of usage fee, when calculating daily usage fee, each "month" has 30 days). The balance of the sum of all installment of total consideration already made by Party B minus the usage fee as calculated above, if any, shall be refunded to Party B without interest thereon within thirty (30) calendar days after such recession or termination; if Party A fails to refund such balance as required, it shall pay liquidation damage to party B at 0.03% of any overdue amount for each day of delay till the full refund of such balance. If usage agreement of parking lots is rescinded or terminated by laws or by agreement, and the sum of all installment of total consideration already made by Party B is insufficient to cover such usage fee, Party B shall immediately within ten (10) calendar days after receipt of written notice of payment from Party A pay the difference to Party A, and if Party B fails to do so, it shall pay liquidation damage to party A at 0.03% of any overdue amount for each day of delay till the full payment of such difference. Notwithstanding the above mentioned provisions, if usage agreement is rescinded or terminated by laws or by agreement which is attributable to Party B, and Party A notifies Party B to further the online confirmation of sales agreement of parking lots in accordance with article 5.2 hereof or continue the performance of the sale agreement of parking lots, then Party A is under no obligation to refund all installments of total consideration already made by Party B, and Party B shall pay the rest of the total consideration in accordance with sales agreement of parking lots.

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6 Management services for transaction target

6.1 Party B acknowledges that the preliminary property manager of Lingkong SOHO is Beijing Jinrong Property Management Ltd Shanghai branch. Issues in respect of the property management of transaction target and the rights and obligations of owners shall be set forth in Exhibit IV, V and VIII hereto. Party A and buyer shall at the execution of this agreement execute (1) the agreement the form and content of which complies with the exhibit 10 of the Exhibit X hereto "Restated Preliminary property management services agreement of Hongqiao SOHO (Lingkong SOHO)", and (2) the undertakings the form and content of which complies with the exhibit 1 of the Exhibit V hereto "Restated provisional management protocols of Hongqiao SOHO (Lingkong SOHO)".

6.2 The property maintenance of transaction target shall comply with relevant laws and regulations and relevant provisions of Exhibit IV, V and VIII hereto.

6.3 When filing application for presale permission for Lingkong SOHO, Party A has filed with governing authority for registration of the preliminary property management service agreement and provisional management protocols. The preliminary property management service agreement and provisional management protocols on record are not entirely the same with the provisions of Exhibit IV, V and VIII hereto. Both parties agree to make their endeavors to file the Exhibit IV and V hereto to governing authority for update. Before completion of such update, if at the online confirmation Party A and buyer have executed the preliminary property management service agreement and/or provisional management protocols filed for registration for presale permission of Lingkong SOHO, then such preliminary property management service agreement and/or provisional management protocols on record shall not be binding on Party A and buyer, Party A and buyer shall still be bound by Exhibit IV, V and VIII hereto.

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7 Delivery, registration of caution and title transfer of transaction target

7.1 Subject to satisfaction of all due obligations under transaction documents by Party B (including without limitation to full payment of the fourth payment and fifth payment as required under this agreement), Party A shall on or before November 15th 2014 revoke all registration of mortgage on the transaction target and deliver the transaction target and Building No.10 of block 6 to Party B. without prejudice to any other remedies of Party A, if Party B fails to properly perform all due obligations under transaction documents, the revocation of mortgage and delivery of

transaction target and Building No.10 of block 6 by Party A shall be extended for reasonable period until Party B makes corrections and satisfies the precedent conditions set forth in this article.

- 7.2 The conditions of delivery of transaction target and Building No.10 of block 6 are set forth in Exhibit VII hereto (decoration and equipment of transaction target and Building No.10 of block 6). The conditions of delivery set forth in lease agreement of Building No.10, the Lingkong SOHO presale agreements of retail space and Lingkong SOHO presale agreements of office space shall be consistent with Exhibit VII hereto, unless otherwise agreed in writing by party A and buyer. To avoid any doubt, under any circumstance, the conditions of delivery of transaction target and Building No.10 of block 6 shall be subject to the receipt by Party A of Shanghai Construction Completion Inspection Certificate for Lingkong SOHO.
- 7.3 Party A shall give five (5) calendar days prior notice to Party B for the delivery of transaction target, transacted parking lots and Building No.10 of block 6. If party B fails to attend to the delivery of transaction target, transacted parking lots and Building No.10 of block 6 as required by the written notice from Party A, and fails to cooperate with the delivery within five (5) calendar days after written notice from Party A to such effect, it shall be deemed that Party B has taken over transaction target, transacted parking lots and Building No.10 of block 6 and has no objections to the quality or any other aspects thereto.
- 7.4 Upon delivery, the risks to and liabilities of transaction target and transacted parking lots shall pass to party B from Party A, and the obligation to pay for management services shall also pass to party B. the "delivery" referred to in transaction documents means the transaction target and transacted parking lots which are in compliance with article 7.2 of this agreement are delivered by Party A to Party B for occupation and utilization, and the title transfer of transaction target and transacted parking lots is unnecessarily the substance or appearance of delivery.
- 7.5 Registration of caution
- 7.5.1 It is acknowledged and agree that, after execution of Lingkong SOHO presale agreements of retail space and/or Lingkong SOHO presale agreements of office space, as required and requested by buyer in writing, Party A and buyer shall file with real estate trading center of Changning for registration of caution for relevant transaction target, and relevant expenses (if any) so incurred shall be borne by buyer.

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7.5.2 If this agreement, any Lingkong SOHO presale agreement of retail space and/or any Lingkong SOHO presale agreement of office space is terminated, both parties shall fully cooperate with each other to promptly cancel all presales agreement and registration of caution (if any) within forty-five (45) calendar days after termination of all transaction documents.

7.6 Title transfer

It is acknowledged and agreed that, after the combined property certificate is obtained by Party A, and within twenty-one (21) calendar days after the online confirmation of presale agreements of all transaction target and sales agreement of parking lots by Party A and buyer, buyer shall file with real estate trading center of Changning for title transfer and apply for individual property certificates therefor, and obtain receipt of admission from the real estate trading center of Changning. Party A shall provide assistance. However, if the online confirmation of the Lingkong SOHO presale agreements of retail space is postponed in accordance with article 2.4.1 of this agreement and fails to be complete at the receipt of combined property certificate by Party A, buyer shall (1) within twenty-one (21) calendar days after the online confirmation of all Lingkong SOHO presale agreements of office space and sales agreements of office space parking lots and upon receipt of combined property certificate by party A, file with real estate trading center of Changning for title transfer, and Party A shall provide assistance; and (2) within twenty-one (21) calendar days after the online confirmation of all Lingkong SOHO presale agreements of retail space and sales agreements of retail space parking lots, file with real estate trading center of Changning for title transfer, and Party A shall provide assistance.

8 Breaching liabilities

8.1 Breaching liabilities of Party A

8.1.1 Breaching liabilities of Party A for late delivery

8.1.1.1 If Party A fails to deliver transaction target and transacted parking lots, it shall pay liquidation damage to party B at 0.03% of the sum of total price and total consideration of parking lots for each day of delay. If Party A fails to deliver the transaction target for more than sixty (60) calendar days (exclusive of the 60th day), Party B shall on or before February 13th 2015 give Party A a written notice that whether it will unilaterally terminate all transaction documents (to avoid any doubt, under such circumstance, transaction documents can only be terminate by its entirety and not by part of it). If Party B decided to unilaterally terminate all transaction documents, it shall on or before February 13th 2015 give written notice to Party A (such notice is irrevocable) to such effect, and Party A shall pay liquidation damage at 3% of the sum of the total price and the total consideration of parking lots to party B within thirty (30) calendar days after receipt of such notice from Party B (to avoid any doubt, under such circumstance, Party A is not obligated to pay liquidation damage from November 16th 2014 (or the scheduled delivery date of the transaction target under this agreement) to the termination of all transaction documents by Party B which is calculated at 0.03% of the sum of the total price and the total consideration of parking lots for each day of delay as specified under the preceding provisions), and there will be interest on all installments of the total price and relevant payment of total consideration of parking lots already paid by Party B to the bank account designated by Party A under article 3.3 hereof from the receipt thereof respectively by Party A till the return thereof, which shall be subject to the deposit interest published by the Central Bank of China for the loan of similar term.

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8.1.1.2 Within forty-five (45) calendar days after written notice from Party B to terminate all transaction documents in accordance with article 8.1.1.1, Party A and buyer shall execute all documents necessary to cancel all presale agreements which are already confirmed online

and all registration of caution (if any) from the system of real estate trading center of Chiangning, and file these documents with real estate trading center of Chiangning; and within thirty (30) calendar days after cancellation of all online-confirmed presale agreements and registration of caution, Party A shall return all installments of total price and relevant payments of the total consideration of parking lots already paid by Party B, along with the interest thereon which is calculated under article 8.1.1.1. If Party A fails to return payment and pay interest as so required, it shall pay liquidation damage to party B at 0.03% of the sum of all installments of the total price and relevant payments of the total consideration of parking lots already paid by party B for each day of delay.

- 8.1.1.3 Upon written notice from Party B to terminate all transaction documents in accordance with article 8.1.1.1, if the application to cancel online-confirmed presale agreements (and registration of caution, if any) fails to be file with real estate trading center of Changning within forty-five (45) calendar days after the termination of such termination, which is attributable to Party A, then Party A shall within sixty (60) calendar days after termination of all transaction documents return all installments of total price and relevant payments of the total consideration of parking lots already paid by Party B, along with the interest thereon which is calculated under article 8.1.1.1, or it shall bear breaching liabilities therefor in accordance with article 8.1.1.2.

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- 8.1.1.4 Upon written notice from Party B to terminate all transaction documents in accordance with article 8.1.1.1, if any of the online-confirmed presale agreements is not cancelled (whether this is attributable to party A shall be subject to written records issued by real estate trading center of Changning), then within sixty (60) calendar days after application to Shanghai real estate trading center for cancellation of presale agreements and registration of caution (if any) by Party A and buyer, Party A shall return all installments of total price and relevant payments of the total consideration of parking lots already paid by Party B, along with the interest thereon which is calculated under article 8.1.1.1, or it shall bear breaching liabilities therefor in accordance with article 8.1.1.2.
- 8.1.2 Breaching liability of Party A for its delay to obtain combined property certificate Subject to full performance of all due obligations under all transaction documents by Party B, if Party A fails to complete the primary registration of the transaction target and obtain the combined property certificate on December 31st 2015 which is attributable to itself, it shall pay liquidation damage to Party B at 1% of the total price, in addition to liquidation damage to Party B at 0.03% of the total price for each day of delay from January 1st 2016 till the preceding day of the day when Party A obtains the combined property certificate, and there will be no other liquidation damage or compensation to be paid by Party A to Party B.
- 8.1.3 Party A shall not withhold or delay the title transfer under article 7.6 of this agreement without proper cause. If Party A delays to make title transfer and fails to make corrections within reasonable time after written request of party B to such effect, it shall pay liquidation damage to Party B at 0.03% of the total price for each day of delay upon the expiry of the period for title transfer under article 7.6 hereof till the preceding day of the day of Party A's fulfillment of such obligation (in case of postponement of title transfer of retail space under article 7.6, the liquidation damage to be paid by party A under this clause shall be calculated at 0.03% of the total value of relevant space under transaction (i.e. the total value of retail space or office space)) respectively).

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- 8.1.4 If the online confirmation of any sales agreement of parking lots is not completed by the expiry of the period under article 5.2 hereof, which is attributable to party A, Party A shall pay liquidation damage to Party B at 0.03% of the total consideration of parking lots for each day of delay till the completion of online confirmation of all sales agreements of parking lots by Party A and buyer. If the online confirmation is delayed for more than sixty (60) calendar days (exclusive of such day) which is attributable to Party A, then Party B may (but under no obligation) cancel the purchase of transacted parking lots, and Party A shall within thirty (30) calendar days after receipt of written notice from Party B for such cancellation return all payments made by Party B for the total consideration of parking lots, minus applicable usage fee of any transacted parking lots actually used by Party B (regardless of the various provisions of the standards of usage fee that may be stipulated under this agreement, for the purpose of deduction under article 8.1.4, the monthly usage fee for each parking lot shall be RMB 675 yuan, and the total usage fee to be deducted therefrom shall be the number of days of actual use multiplying the amount of all transacted parking lots used by Party B, for the purpose of calculation, each "month" has 30 days).
- 8.1.5 If Party A fails to pay the decoration allowance within the period set forth under article 12.1 hereof, it shall pay liquidation damage to party B at 0.03% of the overdue decoration allowance for each day of delay.

8.2 Breaching liabilities of Party B

- 8.2.1 If Party B delays to make payment of any installment of the total price under this agreement, it shall pay liquidation damage to Party A at 0.03% of the overdue payment for each day of delay. If such delay of Party B lasts for more than sixty (60) calendar days (excluding the 60th day), Party A may terminate all transaction documents within thirty (30) calendar days from the sixty-first (61) calendar day of Party B's delay, and Party B shall pay liquidation damage to Party A at 3% of the total price (to avoid any doubt, under such circumstance, Party B is not obligated to pay any liquidation damage to Party A at 0.03% of the overdue payment for each day of delay according to this clause).
- 8.2.2 If this framework agreement, any Lingkong SOHO presale agreement of retail space and/or any Lingkong SOHO presale agreement of office space is terminated (regardless of the reason therefor), in respect of all Lingkong SOHO presale agreements of retail space or Lingkong SOHO presale agreements of office space already executed before termination, Party B shall cooperate with Party A to cancel all the online confirmation of such presale agreements (from Shanghai real estate trading system) and all registration of caution (if any) within forty-five (45) calendar days after termination of all transaction documents.

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- 8.2.3 Party B shall not withhold or delay the title transfer under article 7.6 of this agreement without proper cause. If Party B delays to make title transfer and fails to make corrections within reasonable time after written request of Party A to such effect, it shall pay liquidation damage to Party A at 0.03% of the total price for each day of delay upon the expiry of the period for title transfer under article 7.6 hereof till the preceding day of the date Party B applies for title transfer.
- 8.2.4 If the online confirmation of all sales agreements of parking lots are not complete by the expiry of the term under article 5.2 hereof which is attributable to Party B, Party B shall pay liquidation damage to Party A at 0.03% of the total consideration of parking lots for each day of delay till the completion of online confirmation of all sales agreements of parking lots by Party A and buyer. If such delay lasts for more than sixty (60) calendar days (excluding the 60th day), Party A may (under no obligation) terminate the usage agreement of parking lots and forthwith reclaim all transacted parking lots, without any liabilities at its end.
- 8.2.5 If Party B delays to pay any payment of the total consideration of parking lots as scheduled, it shall pay liquidation damage to Party A at 0.03% of the overdue payment for each day of delay. If such delay of Party B lasts for more than sixty (60) calendar days (excluding the 60th day), Party A may terminate the sales agreements and/or usage agreement of parking lots within thirty (30) calendar days from the sixty-first (61) calendar day of such delay, and forthwith reclaim all transacted parking lots, and Party B shall pay liquidation damage to party A at 3% of the total consideration of parking lots (to avoid any doubt, under such circumstance, Party B is under no obligation to pay liquidation to Party A at 0.03% of the overdue payment for each day of delay as provided above). Before the receipt of the first payment of the total consideration of parking lots by Party A, Party A may refuse to deliver any transacted parking lot to Party B, unless Party A receives the first installment of the total consideration of parking lots and any liquidation damage calculated in accordance with article 8.2.5 hereof.

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- 8.3 If the online confirmation of all presale agreements is not complete within thirty (30) calendar days (inclusive of the 30th calendar day) after the date of this framework agreement by Party A and Party B2, B3, B4 and B5 which is attributable to any party hereto, unless otherwise agreed by parties in writing, this framework agreement shall lapse on the thirty-first (31) calendar day after the date hereof, except those otherwise specified under article 8.4 hereof. If this framework agreement lapses in accordance with article 8.3 hereof, the party who is responsible for the lapse hereof shall pay liquidation damage to the other party at 1% of the total price (to avoid any doubt, under such circumstance and subject to fulfillment of obligation by the responsible party to pay liquidation damage at 1% of the total price, the responsible party is under no further obligation to pay liquidation damage or any other compensation to the other party). If this framework agreement lapses automatically in accordance with the terms hereof which is attributable to Party B, Party A shall within thirty (30) calendar days after receipt of written application of refund from Party B return the balance of all payment paid by Party B minus all liquidation damage payable by Party B under this agreement, without any interest thereon. If this framework agreement lapses automatically in accordance with the terms hereof which is attributable to Party A, Party A shall within thirty (30) calendar days after receipt of written application of refund from Party B (1) return all payments of the total price made by Party B to Party B; (2) pay liquidation damage to Party B at 1% of the total price; and (3) pay interest to Party B on all of the payments of the total price made by Party A to the bank account designated by Party A under article 3.3 hereof which shall be calculated in accordance with the deposit interest of the similar term published by the Central Bank of China from the receipt by Party A respectively. If Party A fails its obligations to make return as specified above, it shall pay liquidation damage to Party B at 0.03% of the total amount of all payments made by party B to the designated bank account under article 3.3 hereof for each day of delay.
- 8.4 In case of postponement of online confirmation of any Lingkong SOHO presale agreement of retail space under article 2.4.1 hereof, this framework agreement will not lapse automatically, and shall remain in full force.
- 8.5 Except for specific event under this agreement, either party shall terminate this framework agreement or any Lingkong SOHO presale agreement of retail space or any Lingkong SOHO presale agreement of office space or any sales agreement of parking lots. If this agreement is terminated by Party A or Party B in accordance with the terms hereof, or if any Lingkong SOHO presale agreement of retail space or any Lingkong SOHO presale agreement of office space is terminated by party A or buyer in accordance with this framework agreement, regardless of the reason of termination and any contrary provisions under the transaction documents, all of the other transaction documents shall be terminated in the same time, and the party exercising such right of termination shall not bear any breaching liabilities under all of the other transaction documents to the other party thereto. To avoid any doubt, it is hereby specified that, if party A terminates the usage agreement of parking lots in accordance with article 8.2.5 of this agreement, Party A and buyer shall continue the performance of sales agreements of parking lots, unless the notice of termination from Party A gives specific provisions to terminate such sales agreements at the same time.

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- 8.6 If Party A or buyer fails to make return or additional payment within thirty (30) calendar days after receipt of the final survey report in accordance with article 3.1.3 of this agreement, it shall pay liquidation damage to the other party at 0.03% of the overdue return/additional payment for each day of delay till the full settlement thereof.
- 8.7 To avoid any doubt, the calculation of liquidation damage which is based on the "total price" under this agreement shall not take consideration of any change of the total price under article 3.1.3 hereof.

9 Representations and warranties of Party A

Party A hereby represents and warrants to Party B that, the following representations and warranties of Party A are true, accurate and complete as of the date of this agreement:

- 9.1 It has the entitlement and authority to execute and perform the transaction documents, and has the capacity to take the legal liabilities and obligations under the transaction documents in its name;

- 9.2 The execution and performance of transaction documents by it and execution and performance of any actions to effect the transaction documents by it violates no laws and regulations of China (except any inconsistency between the execution and performance of transaction documents by it, the execution and performance of any actions to effect the transaction documents by it and any government requirements disclosed by Party A to Party B before the date hereof in any documents in relation to Lingkong SOHO);
- 9.3 Before execution hereof, it has obtained all/any necessary internal and external consents (if any), and been fully aware and understood all/any provisions, conditions and covenants under transaction documents, without any gross misunderstanding thereof, and undertakes that the execution of this agreement reflects its own true and free will, there is no obvious unfairness, taking advantage of one's unfavorable situation, fraud and coercion whatsoever;

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- 9.4 Party A has (or will have before delivery of the transaction target in accordance with this agreement) all licenses, approvals, permits and registrations necessary for application of Shanghai Construction Completion Inspection Certificate of Lingkong SOHO, and will obtain all licenses, approvals, permits and registrations necessary to obtain individual property certificates of transaction target before the date of title transfer under article 7.6 hereof;
- 9.5 The contract number of the land assignment of the plot of Lingkong SOHO (i.e. the Plot No. 15 of Shanghai Lingkong Economic Park) is **沪长规土(2010)出让合同第 21 号**, the nature of the land is for office building, and the number of construction permit is 1101CN0005D01310105201102280701;
- 9.6 The number of presale permit of Lingkong SOHO is **长宁房管(2013)预字0000667号**;
- 9.7 Information of mortgage on Lingkong SOHO: the mortgagee is Bank of China Shanghai Branch; the number of mortgage is **长201305012697**; the duration of such mortgage is September 5th 2013 to September 4th 2018. There is no other mortgage, seizure, pre-lease, registration of caution, attachment and third party lease on Lingkong SOHO;
- 9.8 Lingkong SOHO is in the progress of construction;
- 9.9 The transaction documents are civil agreements, and Party A enjoys no exemptions thereunder.

10 Representations, warranties and undertakings of Party B

Party B hereby warrants to Party A that, the following representations and warranties of Party B are true, accurate and complete as of the date of this agreement:

- 10.1 It has the entitlement and authority to execute and perform the transaction documents, and has the capacity to take the legal liabilities and obligations under the transaction documents in its name;
- 10.2 The execution and performance of transaction documents by it and execution and performance of any actions to effect the transaction documents by it violates no laws and regulations of China;
- 10.3 Before execution of this agreement, Party B has conducted property investigation on the transaction target, and acknowledged all existing conditions of the registration regarding the transaction target. Moreover, it is fully aware of the zoning requirements and purpose of the transaction target (and all parts, units and suites of it). It hereby acknowledges that, the transaction target can adequately satisfy its all/any needs, purposes and objectives, and ensures that it will not claim any breaching liabilities or any other compensation against party A on the ground that the transaction target fails its needs, purposes or objectives.

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- 10.4 Before execution hereof, it has obtained all/any necessary internal and external consents (if any), and been fully aware and understood all/any provisions, conditions and covenants under transaction documents, without any gross misunderstanding thereof, and undertakes that the execution of this agreement reflects its own true and free will, there is no obvious unfairness, taking advantage of one's unfavorable situation, fraud and coercion whatsoever;
- 10.5 The transaction documents are civil agreements, and Party B enjoys no exemptions thereunder.

11 Notice

- 11.1 Any notice required or allowed by transaction documents shall be in writing, and shall be deemed as validly delivered at the following events:
- 11.1.1 In case of delivery by hand, at the delivery of notice to the recipient;
- 11.1.2 In case of delivery by express service, at the fifth (5) calendar day after deposit thereof with the express service;
- 11.1.3 In case of delivery by registered mail, at the fifteenth (15) calendar day after deposit thereof with the post office; or
- 11.1.4 In case of delivery by fax, and if transmission is made during working hour, at the receipt of confirmation of transmission; and if transmission is made beyond working hour, at the fourth (4) calendar day after transmission.
- 11.2 The notice from either party to the other party under transaction documents shall be addressed to the following address and contact:

Party A: 47/F, SOHO Donghai Plaza, No. 299, Tongren Road, Shanghai,
Contact: Yan Yan

Party B: 2/F, CTRIP Tower, No. 99, Fuquan Road, Shanghai,
Contact: Liang Wei

12 Other provisions

- 12.1 In consideration that Party B requires no elevated floor to be installed by Party A for the transaction target, Party A agrees to pay allowance to Party B after the delivery of transaction target for the decoration work thereof, at RMB 15,000,000 (fifteen million sharp). Such allowance shall be paid within thirty (30) calendar days after receipt of invoices by Party A which are acceptable by both parties, and details arrangement for payment and relevant contracts shall be determined by parties through negotiation.
- 12.2 Party A has filed for registration of Lingkong SOHO presale agreement template ("old presale agreement") with governing authority when applying for presale permit for Lingkong SOHO. The old presale agreement is not entirely the same with Exhibit II and III hereto. Both parties agree to make their endeavors to file for update of registration of Exhibit II and III hereto with government authority. If such update of registration is not completed when making online confirmation, resulting in application of the old presale agreement on Party A and buyer at the online confirmation, then the old presale agreement online-confirmed shall not be binding upon parties hereto, instead, Party A and buyer shall executed presale agreements for the transaction target for each unit of retail office and office space subject to the content, type and form of Exhibit II and III hereto, and shall be bound by such presale agreements when properly executed by them.
- 12.3 Transaction documents shall be governed and construed by the laws of the People's Republic of China (for the purpose of this agreement only, excluding the laws of Hong Kong, Macau, and Taiwan). Any dispute in relation to transaction documents shall be settled through friendly negotiation between parties, and if negotiation fails, either party may file lawsuit before local People's Court seated at the location of transaction target.
- 12.4 This framework agreement is fundamental to transaction documents. In case of any obscurity in any other transaction documents, both parties shall negotiate in good faith in accordance with relevant provisions of this agreement, to complete the transactions contemplated under transaction documents. In case of any conflict between any other transaction documents and this framework agreement, this framework agreement shall prevail, regardless of the fact such transaction documents are executed on or after the date of this agreement.
- 12.5 Party A understands that Party B can only publicly disclose relevant matters in relation to the presale of transaction target after the execution of this agreement. If either party (or its parent company) is required to make public disclosure of the presale of transaction target, it shall give prior written notice to and consult with the other party for such disclosure. If either party breaches such provisions of disclosure, it shall bear breaching liabilities to the other party for any losses caused by its unauthorized disclosure.

12.6 Exhibits

- 12.6.1 The exhibits hereto constitute valid parts of this framework agreement, and bear the same legal effect as this agreement, and shall be binding upon both Party A and Party B; however in case of any conflict between the text hereof and exhibits hereto, the text of the framework agreement shall prevail.
- 12.6.2 In respect of the property management and rights and obligations of owners of Lingkong SOHO, in case of any conflict between or amongst Exhibit VIII, IV and/or V hereto, the Exhibit V hereto shall prevail.
- 12.7 Transaction documents constitute the entire agreement between parties regarding the transaction arrangements described under article 2.1 hereof, and supersede all prior agreement, intention, understanding and memorandum between parties regarding the subject matter hereof, oral or written, (including without limitation to the Intention letter to presale Lingkong SOHO executed by Party A and CTRIP on April 24th 2014, supplement agreement to the Intention letter to presale Lingkong SOHO on May 9th 2014, and Supplement agreement II to the Intention letter to presale Lingkong SOHO on September 12th 2014).
- 12.8 If any provision of this framework agreement is found invalid, void or unenforceable to any extent, the remaining provisions of this agreement shall not be affected and shall be performed, implemented and complied with by both parties to the maximum extent allowed by laws and regulations.
- 12.9 Both parties shall bear their own expenses for the negotiation, execution and performance of transaction documents, including without limitation to expenses for legal advisor and/or accountant, and any other similar expenses.
- 12.10 This framework agreement is written in Chinese.
- 12.11 This framework agreement shall be executed in four (4) duplicates, with two (2) duplicates for Party A and two (2) duplicates for Party B, all of which shall be considered as original and bear the same legal effect.
- 12.12 This framework agreement takes effect upon signatures of legal representatives/authorized agent of Party A and Party B1, B2, B3, B4 and B4 and affixing common seals of them respectively.

(Signature page of the framework agreement for presale of Lingkong SOHO)

Party A : SOHO (Shanghai) Investment Co., Ltd (Seal)

Authorized agent: Yan Yan (阎岩)

Party B1 : CTRIP Internet Technology (Shanghai) Co., Ltd (Seal)

Authorized agent: Sun Jie (孙洁)

Party B2 : Feicheng (Shanghai) Tourism Products Trading Co., Ltd (Seal)

Authorized agent: Sun Jie (孙洁)

Party B3 : Aocheng Information Technology (Shanghai) Co., Ltd (Seal)

Authorized agent: Sun Jie (孙洁)

Party B4 : Hucheng (Shanghai) Internet Technology Co., Ltd (Seal)

Authorized agent: Sun Jie (孙洁)

Party B5 : Echeng (Shanghai) Data Processing Co., Ltd (Seal)

Authorized agent: Sun Jie (孙洁)

Investment Agreement

Among

the Individual Shareholders listed in Part A of Exhibit I hereof,

the Corporate Shareholders listed in Part B of Exhibit I hereof,

the Institutional Investors listed in Part C of Exhibit I hereof,

the Operating Companies listed in Part D of Exhibit I hereof,

Tongcheng Network Technology Co., Ltd.

And

Shanghai Ctrip International Travel Service Co., Ltd.

Executed on April 28, 2014

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This Investment Agreement (this "**Agreement**") is entered into in Shanghai, the People's Republic of China (the "**PRC**" or "**China**") on April 28, 2014 by and among:

- (1) the individual shareholders listed in Part A of Exhibit I hereof (collectively the "**Individual Shareholders**");
- (2) the corporate shareholders listed in Part B of Exhibit I hereof (collectively the "**Team Corporate Shareholders**", and together with the Individual Shareholders, the "**Team Shareholders**");
- (3) the institutional investors listed in Part C of Exhibit I hereof (collectively the "**Institutional Investors**");
- (4) the operating companies listed in Part D of Exhibit I hereof (collectively the "**Operating Companies**");
- (5) Tongcheng Network Technology Co., Ltd. (the "**Target Company**" or "**Tongcheng**", and together with the Operating Companies, the "**Target Group**"; each company in the Target Group being a "**Group Company**"), a company limited by shares duly incorporated and validly existing under the PRC laws, with its registered address at Suite A, Block 5, Creative Industry Park, 328 Xing Hu Street, Suzhou Industrial Park;
- (6) Shanghai Ctrip International Travel Service Co., Ltd. ("**Ctrip**" or the "**Current Investor**"), a limited liability company duly incorporated and validly existing under the PRC laws, with its registered address at Floor A2, 1230 Si Ping Road, Shanghai.

Each of the above is hereinafter referred to individually as a "**Party**," and collectively as the "**Parties**." The Team Corporate Shareholders and the Institutional Investors are collectively referred to as the "**Corporate Shareholders**," and the Corporate Shareholders and the Individual Shareholders are

collectively referred to as the “Existing Shareholders.”

WHEREAS

- (A) The Target Company is a company limited by shares duly incorporated and validly existing under the PRC laws as of March 10, 2004. As of the date hereof, the registered capital and paid-in capital of the Target Company is RMB eighty million (RMB80,000,000), and the capital reserve is RMB five hundred and eleven million six hundred and sixty-one thousand four hundred and seventy-seven (RMB511,661,477). After the completion of the current investment, the registered capital and paid-in capital of the Target Company will increase to RMB one hundred and fourteen million two hundred and ninety thousand (RMB114,290,000), and the capital reserve will increase to RMB one billion eight hundred and ninety-one million six hundred and fifty-seven thousand one hundred and ninety-one (RMB1,891,657,191); and
- (B) The Operating Companies are subsidiaries wholly owned or controlled by the Target Company.

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In consideration of the above

Based on amicable negotiations under the principles of equality and mutual benefits, in connection with the cooperation related matters, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

In this Agreement, the following terms and expressions shall have the following meanings, except as otherwise provided hereunder:

“**Affiliate**” with respect to any entity, shall mean another entity who directly or indirectly controls, or is controlled by, or is under common control with, such entity; with respect to any natural person, shall mean any other persons who are directly or indirectly controlled by such person, or the Relatives of such person. For purposes of this definition, the term “**control**” means the power or authority to direct or cause the direction of the management and policies of any entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, including through: (a) direct or indirect ownership of more than 50% (excluded) of the outstanding shares or equity of such entity, (b) direct or indirect ownership of more than 50% (excluded) of the voting rights of such entity, or (c) direct or indirect possession of the power to control the composition of a majority of the board of directors or similar authority of such entity. The terms “controlled” and “controlling” have meanings correlative to the foregoing. Specifically, for the avoidance of doubts, with respect to any of the Venture Capital Shareholders (as defined in *Exhibit I* hereof), for purposes of this Agreement, the Affiliates shall also include, in addition to the above, the other three Venture Capital Shareholders.

“**Basic Documents**” shall mean this Agreements and the supplements thereto from time to time, the articles of association in the form set forth in Appendix I hereof, and the other agreements executed by and among the Parties based on this Agreement with respect to the current investment.

“**Business Day**” shall mean shall mean any day other than Saturday, Sunday or such other day on which commercial banks in the PRC are closed for business as required or authorized by laws or administrative orders.

“**Execution Date**” shall mean the date specified in the cover page of this Agreement, i.e. the date on which this Agreement is duly executed by the authorized representatives of the Parties and affixed with the company chops (if applicable) of the Parties.

“**AOA**” with respect to any Party, shall mean its articles of association, bylaws or other relevant organizational documents.

“**Joint Warranties of Team Shareholders and Target Group**” shall mean the representations, warranties and covenants jointly made by the Team Shareholders and the Target Group, as set forth in *Exhibit III* hereof.

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“**Institutional Investor Warranties**” shall mean the representations, warranties and covenants made by the Institutional Investors, as set forth in *Exhibit IV* hereof.

“**Tencent**” shall have the meaning set forth in *Exhibit I* hereof.

“**Current Investment**” shall mean the investment transactions contemplated hereunder.

“**Closing Conditions**” shall mean the closing conditions set forth in Article 3.1, each of which shall be a Closing Condition.

“**Closing Date**” shall mean the date and time on which and at which the closing occurs, which may be any day within five (5) Business Days after each of the Closing Conditions has been satisfied or waived, provided that such date shall neither be later than the fifth (5th) Business Day nor later than May 8, 2014.

“**Encumbrance**” shall mean: (i) any mortgage, pledge (whether on real or current property), lien (except the liens created by operation of law), hypothecation, transfer, trust, retention of titles, security interest or other kind of encumbrances, or the right of preemptive indemnification with respect to any obligations of any person, including any right conferred by a transaction or contract which, through is not a right of security under terms of law, yet has an economic or financial effect similar to a right of security under applicable laws; (ii) any lease, sub-lease, occupation agreement, easement or deed that grants any person with the right to use or occupy; (iii) any agent, proxy, voting right proxy agreement, interest, option, preemptive offer, negotiation or purchase right or restrictions on transfer for benefits of a person; and (iv) any adverse claims in connection with ownership, occupation or use.

“**Securities**” with respect to a person, shall mean such person’s stocks, shares, shareholder’s equity, partnership interest, registered capital, joint venture or other ownership right, or such other options, warrants or securities that can be exchanged for, or (after exercise of rights) converted to, directly or indirectly, the foregoing stocks, shares, shareholder’s equity, partnership interest, registered capital, joint venture or other ownership right.

“**Governmental Authority**” shall mean any government or its political subdivision; any department, division or office of any government or its political subdivision; any court or arbitral tribunal; and management authority of any stock exchange having competent jurisdiction.

“**Government Official**” shall mean the officials or employees of any government department, division, office, public international organization or political party, and any candidate for political office.

“**Key Employees**” shall mean the employees set forth in Exhibit V hereof.

“**Entity**” shall mean any firm, company, Government Authority, joint venture, partnership, association or other form of entities (whether or not having an independent legal person capacity).

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“**PRC GAAP**” shall mean the generally accepted accounting principles and practices of the PRC, effective from time to time and applied on a consistent basis within the period involved according to past practices (to the extent they are applicable).

“**Relatives**” with respect to a natural person, shall mean his/her spouse, the parents, grandparents, children, grandchildren, blood relatives of such person and his/her spouse, or the blood relatives of their respective parents, or the children thereof.

“**RMB**” shall mean Renminbi, the legal currency of the PRC.

1.2 Other words or expressions otherwise defined hereunder shall have the meanings ascribed to them in the body texts of this Agreement.

ARTICLE 2 CURRENT INVESTMENT

2.1 Investment

Subject to the satisfaction or waiver of each of the Closing Conditions set forth in Article 3 hereof, Ctrip agrees to subscribe to 34,290,000 new shares of the Target Company for a cash consideration of RMB one billion four hundred and fourteen million two hundred and eighty-five thousand seven hundred and fourteen (RMB1,414,285,714) (the “**Investment Capital**”) according to the terms and subject to the conditions of this Agreement, which investment shall represent the newly increased registered capital of the Target Company in the amount of RMB thirty-four million two hundred and ninety thousand (RMB34,290,000) (the “**Increased Capital**”). The part of the Investment Capital in excess of the Increased Capital, i.e. the amount of RMB one billion three hundred and seventy-nine million nine hundred and ninety-five thousand seven hundred and fourteen (RMB1,379,995,714) will be included as part of the capital reserve of the Target Company. After the completion of the Current Investment, Ctrip will acquire 34,290,000 shares of the Target Company, representing 30.00% of all the shares of the Target Company. Exhibit VII hereof sets forth in detail the respective paid-in capitals of the Target Company, number and percentage of shares held by shareholders prior to and after the completion of the Current Investment.

2.2 Payment of Prices

2.2.1 Payment of Investment Capital

Subject to the satisfaction or waiver of each of the Closing Conditions set forth in Article 3 hereof, Ctrip shall, according to the terms and subject to the conditions hereunder, on the Closing Date, pay in one lump sum RMB four hundred million (RMB400,000,000) in RMB cash to the capital increase account opened by the Target Company independently (see Article 2.2.2 hereof); thereafter, the remaining part of the Investment Capital, i.e. RMB one billion fourteen million two hundred and eighty-five thousand seven hundred and fourteen (RMB1,014,285,714), shall be paid to the capital increase account opened by the Target Company independently (see Article 2.2.2 hereof) by July 4, 2014.

2.2.2 Capital Increase Account of the Target Company

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The capital increase account mentioned in Article 2.2.1 is designated by the Target Company as follows:

Account Owner: Tongcheng Network Technology Co., Ltd.
Bank: Industrial and Commercial Bank of China, Suzhou Industrial Park Sub-branch
A/C: 1102130419400007146

2.3 Waiver of Preemptive Right of Purchase

The Existing Shareholders agree to the completion of the Current Investment by the Current Investor, and hereby expressly waive the preemptive right of purchase and other restrictive rights (if any) they may have in the newly issued shares of the Target Company subscribed to by the Current Investor in the Current Investment.

2.4 Shareholder’s Rights after the Completion of the Capital Increase

The Parties agree that after the closing of the Current Investment, the rights and obligations of the signing Parties shall be subject to this Agreement. If two or more of the signing Parties have executed any investment agreements prior to the effectiveness of this Agreement, the rights and obligations under

such previously executed investment agreements shall be terminated. The signing Parties shall enjoy all the rights as shareholder of the Target Company conferred by transaction documents, and relevant laws, regulations and regulatory documents.

ARTICLE 3

CONDITIONS PRECEDENT TO CLOSING

3.1 Closing Conditions

The performance or continued performance by Ctrip of all the obligations or covenants under this Agreement and other Basic Documents, and the payment of the Investment Capital by Ctrip according to Article 2 hereof, are conditional upon and subject to the satisfaction of each and all of the following conditions (at the sole discretion of the Current Investor), and the Current Investor may waive one or more of the following conditions in writing at its own discretion:

- 3.1.1 the Current Investor having completed the detailed due diligence investigations and relevant supplementary investigations on the Target Group (including without limitation, business, financial and legal due diligence investigations), the results of which are satisfactory to the Current Investor;
- 3.1.2 the Basic Documents having been duly executed by all the Parties except the Current Investor, and the duly executed originals thereof having been submitted to the Current Investor;
- 3.1.3 with respect to the Basic Documents that have been executed prior to the Closing Date or will be executed on the Closing Date, as well as the transactions involved in this Agreement and such Basic Documents (including without limitation the Current Investment), each of the Corporate Shareholders and the Target Group having duly carried out all the corporate procedures relating thereto, so as to enable itself to execute and perform such Basic Documents and give effect to such relevant transactions, and having provided the Current Investor with photocopies of the relevant resolutions (together with all the attachments thereto) duly certified by a director or the legal representative/managing partner;

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- 3.1.4 the Joint Warranties of Team Shareholders and Target Group and the Institutional Investor Warranties provided in Article 5 and Exhibit III and Exhibit IV hereof being true, accurate, complete and not misleading, and containing no misrepresentations or material omissions as of the Closing Date;
 - 3.1.5 with respect to the Basic Documents that have been executed prior to the Closing Date or will be executed on the Closing Date, each of the Team Shareholders, the Institutional Investors and the Target Group having performed and complied in all respects with all agreements and obligations required by the Basic Documents to be performed or complied with by it as a party thereof on or prior to the Closing Date;
 - 3.1.6 there having been no material adverse changes to the current operations, running, assets and financial conditions of the Target Company as of the Closing Date, and no events having occurred that will or may lead to such material adverse changes;
 - 3.1.7 the Target Company having adopted the resolutions of the shareholders' meeting to approve the increase of the number of the directors from 15 (namely Wu Zhixiang, Wu Jian, Wang Zhuan, Zhang Hailong, Ma Heping, Long Xiaoxin, Liu Biao, Wu Jiazhu, Lin Haifeng, Xu Liang, Chen Zhiyi, Guo Ao, Zhu Qiaoming, Zhang Peng and Liu Wei, of whom Guo Ao, Zhu Qiaoming, Zhang Peng and Liu Wei are independent directors and Wu Zhixiang is the chairman of the Board) to 19, 4 of whom may be nominated by Ctrip, and the directors nominated by Ctrip having been elected as director of the Target Company at its shareholders' meeting (effective from the Closing Date);
 - 3.1.8 the Target Company having adopted the resolutions of the shareholders' meeting to approve the increase of the number of the supervisors from 5 (namely Wu Hao, Wang Qiang, Wang Xiaozhong, Mai Tianjun and Feng Chunlei) to 6, one of whom may be nominated by Ctrip, and the supervisor nominated by Ctrip having been elected as supervisor of the Target Company at its shareholders' meeting (effective from the Closing Date);
 - 3.1.9 the Target Company having updated its share register and issued the share certificate to the Current Investor;
 - 3.1.10 the Current Investor's executive director or the right owner thereof or the investment decision-making committee (if applicable) having approved the closing, and the Current Investor having provided the Existing Shareholders with photocopies of relevant resolutions;

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- 3.1.11 if, as required by the Current Investment, any Party needs to obtain approvals, consents or filings from any third party, or to send a notice to a third party, all such approvals, consents or files and the acknowledgement of receipt for such notices (excluding the procedures in respect of appraisal and filing of state-owned assets relating to the Current Investment) having been obtained and submitted to the Current Investor, including without limitation, the Target Company having obtained the written consent of Citic Bank, Suzhou Branch under the Over drafting Contract for Corporate Accounts of Citic Bank entered into by and between Citic Bank, Suzhou Branch and the Target Company, and the acknowledgement of receipt issued by China Merchants Bank, Suzhou Industrial Park Sub-branch confirming its receipt of relevant notices;
 - 3.1.12 no Governmental Authority having formulated, published, promulgated, implemented or adopted any law or government order that may render any transaction contemplated under any of the Basic Documents illegal or otherwise restrict or prohibit the transactions contemplated under any of the Basic Documents;
 - 3.1.13 there being no existing, pending or threatened litigation, judicial or administrative proceedings, investigations (whether civil, criminal or administrative) or arbitration claims (collectively the "Claims") against any Group Company, any Existing Shareholder or the business any Group Company is currently conducted or intends to conduct, which are intended to restrict the transactions contemplated in the Basic

Documents, or materially change the terms of such transactions, or may, based on the Current Investor's reasonable and good faith judgment, render the accomplishment of such transactions unrealizable or illegal, or make it unadvisable to proceed with such transactions, or may have material adverse effect on any Group Company, any Existing Shareholder or the business any Group Company is currently conducted or intends to conduct.

ARTICLE 4 CLOSING

4.1 **Time and Venue**

The closing shall take place at the registered address of the Target Company on the Closing Date, or such other time and manner as otherwise agreed by the Parties or decided pursuant to Article 4.4 hereof.

4.2 **Obligations at Closing**

The Team Shareholders, Institutional Investors and each of the Group Companies shall deliver to the Current Investor such documents, or take such actions, as set forth in Exhibit VI hereof on the Closing Date.

4.3 **Covenants of the Parties**

- (1) The Team Shareholders and each Group Company shall do its best efforts to make sure that the Closing Conditions provided in Article 3 are satisfied as soon as practicable after the Execution Date hereof, and in no cases later than the 30th Business Day after the Execution Date hereof (the "**Expected Closing Date**").

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- (2) Each Party shall provide the other Parties, as soon as practicable, with all the information and documents, and take such actions, as reasonably requested by the other Parties with respect to the satisfaction of the Closing Conditions.

4.4 **Actions to be Taken Pending the Satisfaction of the Closing Conditions at the Expected Closing Date**

If any one of the Closing Conditions provided in Article 3 fails to be satisfied or waived as at the Expected Closing Date, the Current Investor may, without precluding the other rights and remedies it may have under this Agreement or applicable laws, elect to:

- 4.4.1 postpone the closing to a date later than the Expected Closing Date;
- 4.4.2 effect the closing based upon the then current actual situation; or
- 4.4.3 terminate this Agreement pursuant to Article 12.

4.5 **Further Assurances**

Each Party shall take all necessary actions to perform its obligations and give effect to this Agreement and each of the Basic Documents, including exercising the voting rights in its stocks, and shall take other necessary actions to procure the prompt and full performance of and compliance with the terms of this Agreement and the other Basic Documents. No Party shall take any action that may reasonably be expected by it to impede, jeopardize or seriously prevent the transactions contemplated hereunder.

ARTICLE 5 COVENANTS AND WARRANTIES

5.1 **Warranties**

- 5.1.1 Joint Warranties of Team Shareholders and Target Group

The Team Shareholders and the Target Group hereby make, jointly and severally, the Joint Warranties of Team Shareholders and Target Group as set forth in Exhibit III hereof (except otherwise disclosed in the disclosure schedules provided by the Team Shareholders and the Target Group to the Current Investor) to the Current Investor, and acknowledge that the Current Investor relies upon the Joint Warranties of Team Shareholders and Target Group to enter into this Agreement.

- 5.1.2 Institutional Investor Warranties

Except otherwise disclosed in writing in the disclosure schedules, the Institutional Investor hereby makes the Institutional Investor Warranties as set forth in Exhibit IV hereof to the Current Investor, and acknowledge that the Current Investor relies upon the Institutional Investor Warranties to enter into this Agreement.

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5.2 **Understanding of Claims**

The Current Investor is not aware of any other actual or presumed information regarding the Team Shareholders, Institutional Investors or the Target Group, and no investigations conducted by or on behalf of the Current Investor shall preclude the indemnity claims of the Current Investor under Article 11. The fact that the Current Investor is aware, should be aware or should be presumed to be aware, of any information shall not constitute a defense against the claims in respect of the Joint Warranties of Team Shareholders and Target Group or the Institutional Investor Warranties, except as expressly disclosed in

writing in the disclosure schedules separately issued by the Team Shareholders, Institutional Investors and the Target Group to the Current Investor and confirmed by the Current Investor, subject to Articles 11.3, 11.4 and 11.5 hereof.

5.3 Severability and Independence

Each of the Team Shareholders and Group Companies shall jointly guarantee to undertake joint liabilities for warranties; provided, however, that the Joint Warranties of Team Shareholders and Target Group and the Institutional Investor Warranties shall be separate from and independent of each other, which means that none of the Team Shareholders or Target Group shall guarantee to undertake any obligations, covenants or responsibilities toward the Institutional Investors, nor shall the Institutional Investors guarantee to undertake any obligations, covenants or responsibilities toward the Team Shareholders or Target Group.

5.4 Re-Making at Closing

The Joint Warranties of Team Shareholders and Target Group and the Institutional Investor Warranties shall be deemed to be re-made by the relevant Parties to the Current Investor on the Closing Date, as if they were made on such date.

In case any of the Joint Warranties of Team Shareholders and Target Group is not true, inaccurate, incomplete or misleading or contains misrepresentations, the Team Shareholders and the Target Group shall be jointly responsible for indemnification to the Current Investor; if any of the Institutional Investor Warranties is not true, inaccurate, incomplete or misleading or contains misrepresentations or material omissions, the Institutional Investors shall be responsible for indemnification to the Current Investor.

ARTICLE 6

PRE-CLOSING OBLIGATIONS

6.1 Default Notice

6.1.1 From the Execution Date to the Closing Date, the Target Group shall make sure, and the Team Shareholders shall cause the Target Group to make sure, the Joint Warranties of Team Shareholders and Target Group in respect of the business conduct and such other respects remain to be true, accurate, complete and do not contain false, misleading statement or material omissions, as if such warranties were made on the Closing Date.

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6.1.2 The Team Shareholders and the Target Group shall immediately inform the Current Investor of any event, condition or circumstances that occur prior to the Closing Date and may constitute a violation of the Joint Warranties of Team Shareholders and Target Group (Joint Warranties of Team Shareholders and Target Group are deemed to be made on any date that falls between the Execution Date and the Closing Date), or may constitute a violation of any terms and conditions of this Agreement.

6.1.3 Without limiting the generality of the foregoing, the Target Group shall, and the Team Shareholders shall cause the Target Group, (i) to strictly comply with the PRC laws and regulations; (ii) not to take or refrain from taking any action that will cause the approvals necessary for the business it currently conducts or intends to conduct are revoked, expired or otherwise declared invalid; and (iii) not to take or refrain from taking any action that will bring material adverse change or effect on its business (including the business scope approved by all relevant Governmental Authority), operations, properties, financial conditions, proceeds or perspective.

6.2 Restrictive Commitments

Except otherwise stipulated or required in this Agreement or other Basic Documents, from the Execution Date through the Closing Date, none of the Team Shareholders, Institutional Investors and Target Group shall, and they shall cause each of the other Group Companies not to, take any of the following actions without the prior written consent of the Current Investor:

6.2.1 amend the Basic Documents or AOA of any Group Company;

6.2.2 participate in merger or restructuring activities involving any Group Company;

6.2.3 sell, mortgage, pledge, transfer, lease, displace or create other Encumbrances or otherwise dispose of any of the assets or business of any Group Company, other than in the ordinary course of business, or sell, purchase, mortgage or Encumber any material assets (in an amount exceeding RMB 5,000,000);

6.2.4 grant or transfer the right of operation of any Group Company;

6.2.5 engage in capital increase/decrease, merger, division, change of corporate form, reorganization, bankruptcy, liquidation, closure or voluntary dissolution of any Group Company;

6.2.6 transfer the equity or interest in any Group Company to any third party, or entrance into an agreement for such arrangement;

6.2.7 increase or decrease the number of the Board members of any Group Company, or replace or dismiss any director thereof;

6.2.8 make public issuance or listing of any securities of any Group Company, which shall also include the selection or change of the sponsor, accountant, legal counsel and stock exchange for the listing, approval of appraisal of the listed stocks or other material listing-related conditions;

- 6.2.9 establish any subsidiary for any Group Company with a total investment exceeding RMB 2 million, or acquire any material asset or business for a consideration exceeding RMB 2 million;
- 6.2.10 with respect to any Group Company, enter into with a third party, transfer, assign, delay or modify any vendor contract or business contract, or enter into, transfer, assign, delay or modify any rights or obligations under such contracts;
- 6.2.11 with respect to any Group Company, make any distribution to its shareholders in any form whatsoever;
- 6.2.12 borrow or lend money or obtain any financial support in the name of any Group Company, and provide security in an amount exceeding RMB 5 million or do similar acts;
- 6.2.13 substantially cease to engage or operate the business of any Group Company conducted as at the Execution Date, or change the material part of its business conducted as at the Execution Date, and make other material change to the business plan of any Group Company;
- 6.2.14 make settlement, compromise or concession with respect to the litigations, legal proceedings, arbitrations, mediations or other dispute resolution proceedings of any group Company;
- 6.2.15 cause or agree any Group Company to engage in any merger, recapitalization, reorganization, division, consolidation or similar, other or series of transactions that may result in change of control;
- 6.2.16 establish or adopt any share award or incentive plan and /or option plan, or change, alter or amend any such plan;
- 6.2.17 with respect to any Group Company, incur any expenditure exceeding the annual budget by 10%;
- 6.2.18 with respect to any Group Company, change its auditor or make significant changes to any of its accounting systems and policies; or
- 6.2.19 with respect to any Group Company, enter into a transaction or a series of transaction in an aggregate amount exceeding RMB 2 million with any of its shareholders other than Ctrip and Tencent, directors, officers or employees, or with any of the shareholders, directors, officers or employees of its affiliates.

ARTICLE 7 OTHER OBLIGATIONS

7.1 **AIC Registration of the Target Company**

The Target Company shall, and the Team Shareholders shall cause the Target Company to, as soon as practicable after the Closing Date (but in no cases later than 30 days after the Closing Date or subsequent date of payment), complete the AIC registrations relating to the Current Investment and the registrations for the change of its Board members, and obtain the updated business license that can reflect the results of the Current Investment (the “**New Business License**”).

The Target Company shall, and the Team Shareholders shall cause the Target Company to, as soon as practicable after the Closing Date (but in no cases later than 30 days after the Closing Date), present to the Current Investor the original of the New Business License and the new AOA retained by the AIC for record, and deliver the photocopies of the foregoing documents affixed with the common stamp of the Target Company (to certify that the photocopies are consistent with the originals).

7.2 **Tax Registration and other Registration**

The Target Company shall, and the Team Shareholders shall cause the Target Company to, duly complete the relevant change registration of the tax registration certificate and other change registration procedures (if any) within 30 days after obtaining the New Business License.

The Target Company shall, and the Team Shareholders shall cause the Target Company to, present to the Current Investor the updated tax registration certificate of the Target Company, and provide the photocopies of the foregoing documents affixed with the common stamp of the Target Company (to certify that the photocopies are consistent with the originals) within 3 days after the completion of such change registration procedures.

7.3 **Record Filing for Appraisal of State-Owned Assets**

Kai Feng Venture Capital Co., Ltd. shall complete the procedures for filing the appraisal results of the state-owned assets involved in the Current Investment, and submit the true and complete copy of the filing documents for appraisal results of the state-owned assets to the Current Investor within a period in compliance with the stipulations of the regulatory authority.

7.4 **Employee Incentive Shares**

The Team Shareholders and the Target Group confirm that currently the Target Company has established Team Corporate Shareholders to hold the employee incentive shares. Prior to the completion of the Current Investment, the Team Corporate Shareholder hold in aggregate 11.885% of the total registered capital of the Target Company. The above employee incentive shares have been fully granted to the incentivized employees, and the Target Company has no plan to establish any new employee share incentive plan or grant any new employee incentive shares.


The Existing Shareholders and the Target Group undertake that after the completion of the Current Investment, the shareholding percentage of Ctrip in the Target Company (for the avoidance of doubts, the total shareholding percentage of Ctrip in the Target Company after the completion of the Current Investment will be 30%) will not be diluted as a result of the establishment or grant of employee incentive shares by the Target Company. The employee incentive shares have been distributed and granted in the form of pro rata give-away by the Team Shareholders or in the form of pro rata purchase from the Team Shareholders by the employees, and the list and line of grant are set forth in Appendix II of this Agreement.

7.5 Non-Compete and Non-Solicitation

Each of the Individual Shareholders undertake to the Current Investor that for so long as he/she holds an interest or a position as director or executive in any Group Company, and within two years after he/she transfers all of the interests he/she holds in each Group Company and the persons designated by him/her have resigned from each Group Company, such Individual Shareholders will NOT, directly or indirectly through any of its Affiliates,;

- 7.5.1 in any places where the Target Group conducts business or intends to conduct business, conduct or engage in any business that competes or may compete directly or indirectly with the Target Company, or engage or participate in any business that competes or may compete directly or indirectly with the Target Company in a capacity as shareholder, director, employee, partner, agent, consultant or otherwise. For the avoidance of doubts, if the Target Group shifts or adjusts its business orientation in the future, the scope of the competitive business shall be adjusted accordingly.
- 7.5.2 solicit, lure, or attempt to solicit or lure any person, firm, company or organization as the Target Group's user, customer, identified potential user or customer, supplier, representative, business contractor, agent or liaison, to break from the Target Group;
- 7.5.3 employ, solicit or lure, or attempt to employ, solicit or lure, the Target Group's officers, managers or employees to quit the Target Group, whether or not the departure of such persons constitutes a violation of contract; or
- 7.5.4 with respect to any transaction or business, use the logos, similar marks, other names or other works used by the Target Group as part of the name of any of his/her controlled companies, or as part of the name of any systems, services or similar terms, which may cause confusion with the names, business or products of the Target Group.

7.6 Certificates, Licenses and Compliance of the Target Company

The Target Company shall, and the Existing Shareholders shall cause the Target Company to, as soon as practicable after the Closing Date, do its best efforts to obtain the following certificates, licenses, filings or complete the following matters: (1) obtain the surveying and mapping qualification certificate; (2) complete the change registration for the value-added telecom service license held by the Target Company; (3) apply to China Insurance Regulatory Commission ("CIRC") for nationwide insurance agency business license, and perform its written filing or reporting obligations to CIRC with respect to its Internet insurance agency sale business; meanwhile, the group Company shall properly adjust its current insurance business model as reasonably requested by the Current Investor; (4) increase the number of insurance types of sideline insurance agency business approved to be operated by the Target Company and Tongcheng International Travel Agency (Suzhou) Co., Ltd, so as to satisfy the actual business needs of the Group Company; and (5) file to register the "two fishes" trademark  under Category 35, gradually reduce the use of the word and graphic trademark of "17u.net," seek substitute marks to be used in the business operation of the Group Company, and further standardize the use and application for registration of its trademarks as reasonably requested by the Current Investor.

7.7 Employee and Labor Related Matters

The Target Group shall, and the Existing Shareholders shall cause the Target Group to, as soon as practicable after the Closing Date, do its best efforts to complete and obtain the approval for the synthetically calculated working hours system to be adopted on the staff of its booking center.

The Target Group shall, and the Existing Shareholders shall cause the Target Group to, as soon as practicable after the Closing Date, do its best efforts to make full payment of social insurance and housing fund premiums for all its employees based on their actual income, and pay the overtime work compensation according to the relevant laws.

7.8 Deregistration of Li Xun Software Development Co., Ltd. of Suzhou Industrial Park

The Target Group and the Team Shareholders shall cause Li Xun Software Development Co., Ltd. of Suzhou Industrial Park to complete its deregistration procedures at AIC as soon as practicable.

7.9 Exclusivity

The Target Group, Team Shareholders and Institutional Investors undertakes that prior to the earlier of the Closing Date and the termination date of this Agreement, without the prior written consent of the Current Investor, they shall not, directly or indirectly, and shall cause their respective Affiliates, directors, supervisors, officers, employees, representatives or agents not to:

- 7.9.1 initiate, trigger or encourage the sale, purchase or other disposal involving the shares or assets of the Target Group, or any inquiry, quotation or offer for the merger, acquisition or combination involving the Target Group (each a "Substitute Transaction");
- 7.9.2 participate in any discussions or negotiations with respect to the Substitute Transaction, or provide or disclose any information about the Target Group with respect to the Substitute Transaction; or
- 7.9.3 enter into any agreement, arrangement or understanding, binding or non-binding, written or oral, with respect to the Substitute Transaction.

7.10 Obligations under Anti-Monopoly Law (AML)

The Current Investor hereby irrevocably agrees that if the Current Investment triggers an AML filing under the PRC laws (including without limitation the filing for concentration of undertakings), it will:

- (1) immediately take all actions to make AML filing (including without limitation the filing for concentration of undertakings) to the competent authority, and further submit other necessary filing materials as required by the competent authority;
- (2) do its best efforts to take, or cause to be taken, all actions to complete or cause to be completed all necessary measures required by laws or the competent authority, including without limitation: to obtain any and all permits, consents, approvals, authorizations, qualifications and instructions; to sell, divest, dispose or hold the relevant assets, properties, business of the Current Investor and/or the assets, properties or business under the Current Investment, so as to realize the goal of unconditionally obtaining the AML clearances (including without limitation the filing for concentration of undertakings) under the PRC laws.

ARTICLE 8 CONFIDENTIALITY; RESTRICTIONS ON ANNOUNCEMENT

8.1 General Obligations

- 8.1.1 Each Party undertakes to the other Parties that without the prior written consent of the relevant Parties, it will not, and will guarantee that each of its directors, current equity holders, current or future partners, shareholders, advisors, managers, employees, agents, auditors and professional consultants (collectively the “**Representatives**”) will not, disclose any Confidential Information to any third party, or use any Confidential Information to the detriment of the interests of the relevant Parties.
- 8.1.2 The term “**Confidential Information**” used in this Article 8 shall mean:
 - (a) any information in possession of any Party or its directors, managers or employees regarding its organization, business, technology, investment, finance, transactions or affairs, whether made in written, oral or other form, and irrespective of whether such information has been provided prior to, on or after the Execution Date;
 - (b) the terms of this Agreement, the terms of any other Basic Document, identity information of the Parties and their respective Affiliates; and
 - (c) any other information and materials prepared by a Party or its Representatives which contain or reflect or originate from the Confidential Information.
- 8.1.3 Each Party shall guarantee that its Representatives will comply with the obligations provided in this Article 8 as if they were a party to this Agreement.

8.2 Exceptions

Article 8.1 shall not apply to such disclosure of the Confidential Information:

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- 8.2.1 as is generally known by the public, not due to a disclosure made by a Party or any of its Representatives in violation hereof;
- 8.2.2 as is made by a Party to one of its Representatives; provided that such Representatives shall (i) have the same confidentiality obligations, or (ii) be bound by confidentiality obligations imposed by their occupation;
- 8.2.3 as is made by a Party to its Affiliates and Representatives; provided that such Affiliates shall (i) have the same confidentiality obligations, or (ii) be bound by confidentiality obligations imposed by their occupation; or
- 8.2.4 as is made after a prior notice has been sent to the other Parties (to the extent feasible) and under any feasible arrangement subject to protection of the Confidential Information, if such disclosure is made as required by the rules of the stock exchange due to the fact that a Party or its parent/general partner or Affiliate is listed on such stock exchange, or required by applicable laws, government rules, judicial or administrative proceedings, or required by any judicial action or proceedings originating from or in relation to this Agreement or any other Basic Document.

8.3 Public Announcements

Unless otherwise required by laws, Governmental Authorities, or the stock exchange where a Party or its parent/general partner or Affiliate is listed, or unless otherwise agreed by the Parties, neither Party shall make public announcements with respect to the relationship between the Parties without the prior written consent of all the other Parties.

ARTICLE 9 SHAREHOLDERS' RIGHTS AND OTHER AGREEMENTS AMONG SHAREHOLDERS

9.1 Restrictions on Share Transfer

In addition to the share transfer restrictions provided in the AOA, the transfer of the Target Group's shares shall be subject to the following restrictions:

- 9.1.1 Without the written consent of the Team Shareholders, in no cases shall the Current Investor and the Institutional Investors transfer, give away or dispose of any of the shares it holds to any of the competitors of the Target Group or Baidu (including its affiliated companies), Alibaba (including its affiliated companies) and Qihu (including its affiliated companies). The competitors of the Target Group include the travel booking e-commerce companies (such as elong, mango, Tempus, meituan, Expedia and its affiliated companies, Priceline and its

affiliated companies), travel community companies (such as mafengwo and daodao), and travel search companies (such as qunar, kuxun and taobaotrip). This transfer restriction shall lose effect automatically when (i) the Target Company is listed; or (ii) the Team Shareholders whose number of shares held in the Target Company exceed half of the total number of shares held by all the Team Shareholders have agreed or decided to transfer or sell all or part of the shares they hold to the above competitors.

- 9.1.2 Without the consent of more than half of the directors at the then-current Board, the Current Investor shall not transfer any of the shares it holds in the Target Company within three (3) years after the Closing Date of the Current Investment; such restriction shall be released on the expiry date of such three (3) years' period or the date on which the Target Company's IPO occurs, whichever is earlier.
- 9.1.3 Notwithstanding any other provisions herein, no transfer may take place, unless (a) the transferee has agreed in writing to be bound by the terms and conditions of this Agreement and the AOA, which may be amended and restated upon the agreement between the Parties and the transferee; and (b) the transfer is in compliance with other relevant provisions of this Agreement and AOA in all respects.

9.2 Co-Sale Right

- 9.2.1 Subject to the terms of the AOA and Article 9.1 hereof, and without restricting the right of any of the Current Investor and/or the Institutional Investors to exercise its right of first refusal pursuant to the AOA, with respect to the Proposed Transfer (as defined in the AOA, the same below) of the Offer Shares (as defined in the AOA, the same below), if any of the Current Investor and/or the Institutional Investors fails to exercise the right of first refusal under the AOA, such party who fails to exercise the right shall have the right, but no obligation, to transfer, at its sole discretion, a certain number of the Offer Shares together with the Transferor (as defined in the AOA, the same below) on the same conditions and terms and at the same prices as provided in the transfer notice (such right being the "**Co-Sale Right**"). The number of shares of the Target Company each of the Current Investor or the Institutional Investors is entitled to sell by exercising its Co-Sale Right shall be calculated by multiplying the Offer Shares by a fraction, the numerator of which shall be the number of shares of the Target Company held by such party (the Current Investor or the Institutional Investor), and the denominator of which shall be the sum of the number of shares of the Target Company held by the Transferor and all the parties (the Current Investor or the Institutional Investor) that intend to exercise the Co-Sale Right.

If the Current Investor and/or the Institutional Investors elects to exercise the Co-Sale Right, it shall send a written notice within thirty (30) Business Days after the Offer Period (as defined in the AOA, the same below), which shall specify the number of shares involved in the Co-Sale Right it elects to exercise. Such written notice is irrevocable, and shall be binding on the Current Investor and/or Venture Capital Shareholders for their transfer of such shares based on the terms, conditions and prices set forth in the Transfer Notice (as defined in the AOA, the same below). If the Current Investor and/or the Institutional Investors elects to exercise the Co-Sale Right, the Transferor shall take such actions including without limitation, reducing the proportion of the shares it intends to sell, so as to help the realization of the Co-Sale Right.

If the Transferor, third party (in the case of Proposed Transfer) or the proposed Transferee (in the case of accepted offer defined in the AOA) identified in the Transfer Notice does not accept the exercise of the Co-Sale Right by the Current Investor and/or Institutional Investors, such offer of share transfer shall be invalid and all the expected transfer shall be null; no Transferor shall transfer any Offer Shares to any third party or the Transferee.

- 9.2.2 Subject to the terms of the AOA and Article 9.2.1 hereof, the Transferor may transfer all of the Offer Shares to a third Party (in the case of Proposed Transfer) or the proposed Transferee (in the case of accepted offer defined in the AOA) identified in the Transfer Notice according to the terms and conditions specified in the Transfer Notice; *provided, however*, that (i) such sale shall be bona fide; (ii) the price offered to the Transferee shall not be lower than the Offer Price (as defined in the AOA, the same below), and the terms and conditions of such sale shall not be more favorable than those offered to the Transferor and specified in the Transfer Notice; (iii) the transfer shall be conducted within three (3) months after the Transfer Notice is sent; and (iv) the Transferee shall agree not to compete with the primary business engaged by the Target Group or any Party (or such Party's affiliated company). If such transfer fails to take place during such three (3) months' period for any reason whatsoever, the restrictions and procedures stipulated in the AOA and this Article 9.2 shall be re-applied.
- 9.2.3 Notwithstanding anything herein to the contrary, if the Current Investor and/or the Institutional Investors intends to transfer all or part of the equity interests it holds in the Target Company to their respective Affiliates, none of the Existing Shareholders shall enjoy any form of right of first refusal or Co-Sale Right with respect to such equity interests.

9.3 Liquidation Preference

- 9.3.1 If the Parties decide to liquidate the Target Company pursuant to the terms of the AOA, the remaining properties of the Target Company, after repayment of the costs stipulated by the law (liquidation cost, employee salaries, social insurance premiums and statutory compensation, taxes owed and the debts of the Target Company), shall be distributed according to the following rules (the "**Distribution Rules**"):
- (a) The Current Investor shall be entitled to have priority over the other shareholders in obtaining the dividends approved by the resolutions of the shareholder's meeting, declared but undistributed, or already distributed but not yet paid to the Current Investor, and in obtaining the liquidation proceeds calculated in either of the following manner, whichever results in a higher amount: (i) which is equivalent to a 10% yearly rate of return (calculated at simple rate) on the Investment Capital of the Current Investor; if the distributable properties of the Target Company at that time are not sufficient to pay such liquidation proceeds to the Current Investor, the Current Investor may obtain all the distributable properties of the Target Company according to its then-current relative shareholding percentage in the Target Company; or (ii) which is equivalent to a percentage of all the distributable properties of the Target Company calculated according to the proportion of the number of shares then held by the Current Investor to the total shares of the Target Company.

- (b) After the amounts owed to the Current Investor have been fully repaid, with respect to the remaining distributable properties of the Target Company, Litong (as defined in Exhibit I hereof), Century Huixiang (as defined in Exhibit I hereof) and Boyu (as defined in Exhibit I hereof) shall have priority over the other shareholders in obtaining the dividends approved by the resolutions of the shareholder's meeting, declared but undistributed, or already distributed but not yet paid to Litong, Century Huixiang and Boyu, and in obtaining the liquidation proceeds calculated in either of the following manner, whichever results in a higher amount: (i) which is equivalent to a 10% yearly rate of return (calculated at simple rate) on the investment capital of Litong, the investment capital of Century Huixiang and the investment capital of Boyu; if the distributable properties of the Target Company at that time are not sufficient to pay such liquidation proceeds to Litong, Century Huixiang and Boyu, Litong, Century Huixiang and Boyu may obtain all the distributable properties of the Target Company according to their respective then-current relative shareholding percentage in the Target Company; or (ii) which is equivalent to a percentage of all the distributable properties of the Target Company calculated according to the proportion of the number of shares then held by Litong, Century Huixiang and Boyu respectively to the total shares of the Target Company.
- (c) After the amounts owed to the Current Investor, Litong, Century Huixiang and Boyu have been fully repaid, with respect to the remaining distributable properties of the Target Company, Century Kaihua, Tencent Industry and Venture Capital Shareholders shall be entitled to exercise their liquidation preference right according to their chronological sequence in investing the Target Company, which means that the shareholder investing the Target Company at a later time shall have the priority over the shareholder investing the Target Company at an earlier time. The liquidation amounts available to them shall be determined as described in the above paragraph (a); and
- (d) After all the above three payments are fully made, any remaining distributable properties of the Target Company will be distributed among the shareholders other than the Current Investor and the Institutional Investors according to their respective percentage of investment.
- 9.3.2 The Team Shareholders hereby undertake that at the time of liquidation, if the Target Company is unable to fully distribute the litigation proceeds to the Current Investor and the Institutional Investors as provided in Article 9.3.1 hereof for any reasons whatsoever (including without limitation the restrictions imposed by the PRC laws), the Team Shareholders will make up for the shortfall, provided that such obligation shall be limited to the amount of liquidation proceeds actually received by the Team Shareholders from the Target Company.

9.4 Anti-Dilution Right

- 9.4.1 If the Target Company intends to issue securities to any subscriber, and the actual final per share price or per percentage of equity price of such securities acquired by the subscriber (the "New Lower Price") is lower than that paid by the Current Investor or Institutional Investors for subscribing for their respective shares in the Target Company, the Current Investor or such Institutional Investors shall be entitled to require an anti-dilution protection based on the New Lower Price, including without limitation, to further acquire the securities issued by the Target Company for zero consideration or the minimum consideration allowed by the law, so as to make the per share price or per percentage of equity price of the shares of the Target Company purchased by the Current Investor or such Institutional Investors be equal to the New Lower Price.
- 9.4.2 If the arrangement described in the above Article 9.4.1 becomes unfeasible due to reasons of the PRC legal provisions, then to the extent permitted by the PRC laws and regulations and subject to necessary approvals of the PRC government, as an substitute arrangement, the Current Investor and/or the Institutional Investors may require the Individual Shareholders to undertake the anti-dilution obligations of the Target Company provided in the previous paragraph; for this purpose and as a protective measure against full assessment dilution, each of the Individual Shareholders shall transfer some of the shares it holds in the Target Company to the Current Investor and/or the Institutional Investors at a nominal consideration of RMB one (RMB1) or such other minimum price allowed by the law, so that after the transfer of such additional shares, the per share price paid by the Current Investor and/or the Institutional Investors for all the shares it holds in the Target Company (including the shares acquired under the Current Investment and such additional shares) is equivalent to the New Lower Price. The Individual Shareholders shall distribute among themselves the number of shares of the Target Company that should be transferred to the Current Investor and/or the Institutional Investors based on their respective relative shareholding percentage in the Target Company.
- 9.4.3 The Current Investor and the Institutional Investors agree that even if the occurrence of any of the following circumstance results in the dilution of their respective shares in the Target Company, they will not exercise the rights agreed in this Article 9.4: (1) the acquisition of any other entity with the shares of the Target Company used as the consideration, which acquisition has been consented to in writing by the Current Investor and the Institutional Investors; or (2) to the extent allowed by the AOA, the issuance of new shares under an employee option plan of the Target Company or other incentive stock arrangement approved by the Board of the Target Company; or (3) to the extent allowed by the AOA, the restructuring conducted for purposes of the listing of the Target Company.

- 9.4.4 For purposes of this Article, all the relevant Parties shall execute all necessary legal instruments and take all necessary actions, including without limitation executing relevant share transfer agreement, resolutions of shareholders' meeting, etc. and amending this Agreement and the AOA of the Target Company, so as to procure the simultaneous closing and completion of (i) the adjustments that should be made to the number or percentage of the shares held by the Current Investor and the Institutional Investors in the Target Company pursuant to the anti-dilution clause; and (ii) the issuance of securities by the Target Company. The Parties acknowledge that notwithstanding anything to the contrary in this Agreement or any other Basic Document, once the anti-dilution clause is triggered, the Target Company shall not issue securities to any subscriber until the adjustments that should be made to the number or percentage of the shares held by the Current Investor and the Institutional Investors in the Target Company pursuant to the anti-dilution clause have been completed.

9.5 Drag-along Right

If a shareholder who holds more than 75% of the shares in the Target Company (the “**Majority Shareholder**”) decides, prior to the initial public offering of the Target Company, to sell the Target Company to a third party, the other shareholders shall follow the instructions of such Majority Shareholder by selling their respective shares in the Target Company to such third party at the same price. (If the acquiring shareholder is Ctrip, Tencent shall be entitled to convert its shares in the Target Company to Ctrip shares at the purchase price, in which case Ctrip undertakes not to trigger its management shareholder protective plan; if the acquiring shareholder is a competitor of Tencent, such acquisition shall be consented to by Tencent; the acquiring shareholder shall guarantee that after the acquisition, no shares of the Target Company will be transferred to a competitor of Ctrip or Tencent without the consent from Ctrip or Tencent, and such competitors shall include Baidu (including its affiliated companies and Affiliates), Alibaba (including its affiliated companies and Affiliates) and Qihu (including its affiliated companies and Affiliates).)

In addition, if a Team Shareholder transfers its shares in the Target Company to a third party to the extent allowed by the law and the AOA, Ctrip and Tencent may require the sale of its shares then held by them according to their respective shareholding percentage at that time.

9.6 Support for Independent Development of the Target Group; Support for Tongcheng Listing

The Parties undertake that after the closing of the Current Investment, the Parties will support the independent development of the Target Group and support the independent listing of the Target Company, and for such purposes, notwithstanding anything contained in this Agreement and the AOA:

- (a) within four (4) years after the closing of the Current Investment or up till the completion of the listing of the Target Company (whichever is earlier), the Current Investor and/or the Institutional Investors shall not realize the relative or absolute control over the Target Company via subscription for capital increase, purchase of the shares transferred or otherwise without the written consent of the Team Shareholders;

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- (b) within four (4) years after the closing of the Current Investment or up till the completion of the listing of the Target Company (whichever is earlier), the Chairman and other Key Managerial Positions (as defined in the AOA, the same below) of the Target Company shall remain to be held by the same persons as those as of the Execution Date; after the expiry of such period, the election and changes to the Chairman and other Key Managerial Positions (as defined in the AOA, the same below) of the Target Company shall obtain the written consent of more than half of the Board directors;
- (c) the Parties agree to condense the number of directors of the Target Company in the future and after such condensing, the directors shall be nominated by the shareholders according to their respective shareholding percentage; the Parties shall cast affirmative vote at the shareholders’ meetings electing, dismissing and replacing directors to cause the above objective to be realized;
- (d) each of Tencent and the Current Investor agrees and undertakes that if the listing of the Target Company is blocked due to competition or connected party transactions between it or its Affiliate and the Target Company, it will seek solutions to eliminate such blocks within six (6) months after the date on which the Board meeting or the shareholders’ meeting adopts the resolution to start IPO process, to facilitate the smooth IPO of the Target Company;
- (e) the Current Investor and the Institutional Investors agree that in order to clear the way for the IPO of the Target Company, if during the IPO process of the Target Company, any of the special rights they have under this Agreement and/or the AOA or the voting mechanism stipulated in the AOA are not in compliance with the relevant rules of the IPO, or cause substantial barriers to the IPO of the Target Company, the Current Investor and the Institutional Investors agree to revise relevant terms until the IPO conditions are satisfied;
- (f) the Parties agree that if the shareholders’ meeting of the Target Company resolves to implement an overseas listing plan for the Target Company, the Parties will execute necessary documents and take necessary steps to facilitate the restructuring of the Group Company to which the Target Company is affiliated.

9.7 Inspection; Audit

The Target Company shall provide, and the Team Shareholders shall procure each of the Group Companies to provide, the Current Investor and the Institutional Investors and their respective authorized representatives with access to the accounting books and records of such Target Company with a reasonably prior written notice and during the normal business hours of such Group Company, and shall permit them to make abstracts from, or take copies of, such accounting books and records, and also provide them with free access to all the properties and assets of the Group Company. The Target Company shall allow, and the Team Shareholders shall procure, the Group Company to provide full cooperation to the Current Investor and the Institutional Investors and their respective authorized representatives. The Current Investor and the Institutional Investors shall be entitled to appoint auditors to inspect and audit any and all of the financial statements of each of the Group Company, including without limitation any balance sheet, income statement, cash flow statement and profit and loss statement, accounting books, records or certain accounting issues (the “**Records**”). Each of the Group Companies and Team Shareholders agrees to provide necessary conditions and materials to the Current Investor and the Institutional Investors and their auditors for them to complete the auditing work, including without limitation, providing the Current Investor and the Institutional Investors and their auditors with all information, access and assistance that may be reasonably requested by them, and allowing them to access senior management members of any Group Company, who shall provide written response within thirty (30) days after the receipt of such request.

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For the avoidance of doubts, the Current Investor may be entitled to the rights described in the previous paragraph only after the completion of the closing. From the Execution Date through the Closing Date, the Current Investor may only be entitled to information access right, namely: after receiving five (5) Business Days’ prior written notice from the Current Investor, the Team Shareholder and the Target Group shall give the Current Investor and its accountant, counsel and other advisors free access to the premises and site and full access to relevant documents, information, accounting books and Records,

and shall instruct its management personnel to provide the Current Investor or any such person with all information and explanations at the reasonable request of the Current Investor.

ARTICLE 10 TAXES, FEES AND EXPENSES

The Parties agree that they each shall be solely responsible for any costs and expenses incurred by the Current Investor for completion of the Current Investment, including without limitation the professional service fee incurred by this Current Investor and its advisors (including without limitation legal counsels and financial advisors) in connection with the conduction of the due diligence investigations, drafting or review of the Investment Agreement, other relevant agreements mentioned in the Investment Agreement and other documents involved in the Current Investment, and participation in negotiations, as well as all the other out-of-pocket expenses.

ARTICLE 11 INDEMNIFICATION

11.1 Indemnification by Team Shareholders and Target Group

The Team Shareholders and each Group Company shall indemnify and hold harmless the Current Investor and its Affiliates, successors and assigns (each an “**Investor Indemnitee**”) from and against all losses, damages, liabilities, claims, proceedings, costs and expenses (including the expenses, compensation and other advisory costs reasonably incurred by the Investor Indemnitees in suits relating to the investigations or assessment of the Claims with the indemnifying party or any third party, collectively the “**Losses**”) resulting from, arising out of or relating to the fact that the Joint Warranties of Team Shareholders and Target Group are untrue, inaccurate, incomplete or contain false, misleading statement or material omissions, or that the Team Shareholders or the Target Group breach other undertakings or agreements in this Agreement.

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The amount of indemnities paid to any such Investor Indemnitee shall be sufficient to make up for the loss in value arising from such breach as suffered by the shares of the Target Company subscribed for by the Investor Indemnitee pursuant to this Agreement. Any indemnities arising from the fact that the Joint Warranties of Team Shareholders and Target Group are untrue, inaccurate, incomplete or contain false, misleading statement or material omissions, as provided in this Article 11.1, shall restore the Investor Indemnitees to the state when no such breach has ever occurred.

11.2 Indemnifications by Institutional Investors

The Institutional Investors shall indemnify and hold harmless the Investor Indemnitees from and against all Losses resulting from, arising out of or relating to the fact that the Institutional Investor Warranties are untrue, inaccurate, incomplete or contain false, misleading statement or material omissions, or that the Institutional Investor breach other undertakings or agreements in this Agreement.

Any indemnities arising from the fact that the Institutional Investor Warranties are untrue, inaccurate, incomplete or contain false, misleading statement or material omissions, as provided in this Article 11.2, shall restore the Investor Indemnitees to the state when no such breach has ever occurred.

11.3 Tax Indemnification

11.3.1 The Team Shareholders shall indemnify and hold harmless the Investor Indemnitees and the Target Group from and against any Losses arising from any tax liabilities or claims of the Target Group that occur prior to the Closing Date or occur as a result of any acts or omissions prior to the Closing Date but are not reflected until after the Closing Date, irrespective of (a) whether such liabilities, claims or relevant matters have been disclosed to the Current Investor; (b) whether such liabilities or claims occur before or after the Closing Date; or (c) whether the Current Investor is actually or presumably aware of such liabilities or claims.

11.3.2 The abovementioned indemnification made by the Team Shareholders to the Investor Indemnitees and the Group Companies shall restore the Investor Indemnitees and the Group Companies to the state when no such breach has ever occurred.

11.4 Indemnifications for Failure to Complete the Closing due to Willful or Negligent Conduct

11.4.1 The Team Shareholders and the Target Group shall do their respective best efforts to cause the Closing Conditions provided in Article 3 hereof to be satisfied as soon as practicable after the Execution Date hereof, and should in no event be later than the Expected Closing Date. In addition, the Institutional Investors shall also provide all necessary reasonable assistance in time for the Team Shareholders and the Target Group to cause the satisfaction of all the Closing Conditions as soon as practicable.

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11.4.2 If any of the Closing Conditions fails to be satisfied by the Expected Closing Date due to the willful acts, omissions or gross negligence of the Team Shareholders and the Target Group, the Team Shareholders and the Target Group shall indemnify the Current Investor all direct Losses thus incurred, including reasonable costs and expenses paid by the Current Investor for Claims and for effecting such indemnification.

11.4.3 If any of the Closing Conditions fails to be satisfied by the Expected Closing Date due to the willful acts or omissions of the Institutional Investors, the Institutional Investors shall indemnify the Current Investor all Losses thus incurred.

11.5 Other Matters for Special Indemnification

The Team Shareholders shall indemnify and hold harmless the Investor Indemnitees and the Target Group from and against any Losses arising from any liabilities or claims of the Target Group relating to the failure of the Group Companies to fully pay the social insurance and housing fund premiums or overtime work compensations and such other circumstances not compliant with social security and labor laws, which occur prior to the Closing Date or occur as a result of any acts or omissions prior to the Closing Date but are not reflected until after the Closing Date, irrespective of (a) whether such liabilities,

claims or relevant matters have been disclosed to the Current Investor; (b) whether such liabilities or claims occur before or after the Closing Date; or (c) whether the Current Investor is actually or presumably aware of such liabilities or claims). The abovementioned indemnification made by the Team Shareholders to the Investor Indemnitees and the Group Companies shall restore the Investor Indemnitees and the Group Companies to the state when no such breach has ever occurred.

11.6 Loss Notice; Third Party Claims

- 11.6.1 An Investor Indemnitee shall, within sixty (60) days after its awareness of the cause of the indemnification, give the relevant Team Shareholders, Group Companies or Institutional Investors (the “**Relevant Indemnifying Parties**”) a written notice of any event or matter which such Investor Indemnitee has determined to or could reasonably be expected to give rise to a right of indemnification under this Agreement or any other Basic Document, stating (i) the amount of the Loss, to the extent available, and the calculation method thereof; and (ii) a reference to the provisions of this Agreement and any other Basic Document in respect of which such right of indemnification is claimed or arises; *provided, however*, that the failure to provide such notice shall not release the Relevant Indemnifying Parties from any of its obligations under this Article 11, nor shall the Relevant Indemnifying Parties be released from any other obligations toward the Investor Indemnitees other than those under this Article 11.
- 11.6.2 If an Investor Indemnitee receives a notice in respect of any litigation, audit, Claim, demand or assessment (each a “**Third Party Claim**”) brought against it and that may give rise to the Claims for Losses under Article 11, it shall inform such notice of Third Party Claims to the Relevant Indemnifying Parties within 30 days after its receipt of such notice; *provided, however*, that the failure to provide such notice shall not release the Relevant Indemnifying Parties from any of its obligations under this Article 11, nor shall the Relevant Indemnifying Parties be released from any other obligations toward the Investor Indemnitees other than those under this Article 11. The Investor Indemnitee shall be entitled to decide whether to require the Relevant Indemnifying Parties to assume the defense and control of such Third Party Claim. If the Investor Indemnitee decides to require the Relevant Indemnifying Parties to be in charge of such Third Party Claim, the Investor Indemnitee may, at its sole discretion, participate in the defense of such Third Party Claim at the expense of the Relevant Indemnifying Parties. The Relevant Indemnifying Parties shall immediately reimburse such expenses to the Investor Indemnitee upon the written request of the Investor Indemnitee.

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11.7 Indemnification for Current Investor’s Delayed Payment

- 11.7.1 If the Current Investor fails to pay the Investment Capital on time pursuant to Article 2.2 hereof, it shall pay a late penalty interest to the Target Company for each overdue day according to the same-term RMB lending rate for working capitals published by the PBOC.
- 11.7.2 The Current Investor may be granted another 30 days or a longer extended time on top of the term of payment prescribed in Article 2.2 hereof for payment of the Investment Capital. If the Current Investor fails to make the payment on time within the period of time prescribed in Article 2.2 hereof or within the extended period time granted in this paragraph (whichever occurs later), it shall pay the Target Company a penalty fine not lower than RMB five hundred million (RMB500,000,000).

11.8 Other Defaulting Liabilities

- 11.8.1 Notwithstanding anything contained herein, for purposes of this Agreement, a Party shall be deemed to have breached the obligations under Article 9 hereof if it fails to perform or suspends the performance of any of its obligations under Article 9, and fails to start corrective actions within thirty (30) days, and still fails to correct such default within sixty (60) days, after its receipt of a written notice sent by any other Party or the Target Company in respect of such default (which notice shall specify in reasonable detail the nature of the default involved).
- 11.8.2 Any Party shall indemnify and hold harmless the Target Group and all the non-defaulting Parties from and against any expenses, liabilities or actual losses (including the interest fees paid or lost due to the breach and the lawyer’s fee) incurred or suffered as a result of such Party’s breach of the obligations under Article 9 hereof.
- 11.8.3 Without restricting the generality of the above paragraphs of this Article 11.8, a Party (the “**Defaulting Party**”) shall indemnify, defense and hold harmless all the other Parties from and against any demands, Losses, debts, damages, shortfall payment, ruling amounts, apportioned amounts, penalty fines, settlement amounts, fees or expenses (including the interest, penalty and fees of the Target Company, or the fees of lawyers, experts, staff and consultants or other expenses incurred by any indemnified Party in any suits or proceedings between the indemnifying Party and any Indemnified Party or between any indemnified Party and any third party) resulting from, arising out of, with respect to or in connection with the fact that any representation, warranty or agreement made by the Defaulting Party under Article 9 or under any other document or evidence delivered by the Defaulting Party pursuant to Article 9 hereof contains anything inaccurate, or that the Defaulting Party breaches any of such representations, warranties or agreements.

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ARTICLE 12

TERMINATION

12.1 Effectiveness

- 12.1.1 This Agreement (including the exhibits) shall come into effect upon being duly executed by each party.

12.2 Termination Event

- 12.2.1 This Agreement may be terminated at any time prior to the Closing Date if any of the following events happens:

- (a) if any of the Closing Conditions set forth in Article 3 hereof failed to be realized on or before the anticipated Closing Date (or a later date set forth in Article 4.4), this Agreement may be terminated at the sole discretion of the Current Investor.
- (b) in any event that any of the Joint Warranties of Team Shareholders and Target Group or any of the Institutional Investor Warranties is not true, inaccurate, incomplete or misleading or contains misrepresentations or material omissions, provided that such breach failed to be remedied or settled, or in the event that such remedy or settlement is possible but failed to be remedied or settled within 10 days upon the breaching party's receipt of the written notice related to the breach, this Agreement may be terminated if so decided by the Current Investor;
- (c) This agreement may be terminated by mutual written consent of all Parties.

12.3 Effect of Termination

In the event of termination of this Agreement in accordance with Article 12.2.1 or 12.2.2 hereof by the Current Investor or the Target Company. The Current Investor or the Target Company shall have the right to request relevant parties to assume the indemnification responsibilities in accordance with Article 11 hereof.

12.4 Survival

In the event that this Agreement is terminated in accordance with Article 12.2, Article 8 (Confidentiality; Restrictions on Announcement), Article 13 (Notice) and Article 14 (Governing Law and Dispute Resolution) shall still survive and be binding on each party, the Agreement shall become void and do not have further effect, provided that such termination will not impair any remedy and right regarding acts breaching this Agreement enjoyed by any party.

ARTICLE 13 NOTICE

13.1 Notice.

All notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be delivered or sent to the below address or facsimile number (or other address or facsimile number that the recipient notifies other parties in writing 5 days in advance). Any notice, request or other communication in letters cross countries shall be delivered by air mail. Any notice, request, or communication shall be conclusively deemed to have been duly given (a) when hand-delivered or personal-delivered to the other party, upon the receipt of delivery; (b) if mailed within one country, the third day upon delivery, and if mailed to another country, the seventh day upon delivery; and (c) if sent by facsimile, upon the receipt of delivery report after facsimile has been sent.

13.2 Address and Facsimile Number.

The original address and facsimile number of each party are as follows:

Target Group	Address:	Building No. 5, Innovative Industrial Park, Xinghu Road No. 328 (Chongwen Road), Suzhou Industrial Park District (Postcode: 215123)
	Attn:	Feng Chunlei
	Facsimile:	0512-82275000
Team Shareholders	Address:	Building No. 5, Innovative Industrial Park, Xinghu Road No. 328 (Chongwen Road), Suzhou Industrial Park District (Postcode: 215123)
	Attn:	Feng Chunlei
	Facsimile:	0512-82275000
Venture Capital Shareholders (As defined in Exhibit I)	Address:	Dongsha Lake Equity Investment Center Tower II, Fengli Road No. 345, Industrial Park District, Suzhou, Jiangsu, PRC
	Attn:	Wu Jiazhu
	Facsimile:	0512-6696-9998
Tencent	Address:	Tencent Building, Kejizhongyi Avenue, Hi-tech Park, Nanshan District, Shenzhen
	Attn:	Richard Pu
	Facsimile:	(+852) 25201148

Boyu (As defined in Exhibit I)	Address:	Room 1508, Hutchison House 15/F, Harcourt Road No. 10, Central, Hong Kong
	Attn:	Chen Zhiyi
	Facsimile:	(+852) 39871711

Ctrip	Address:	Building A 2/F, Siping Road, Shanghai
	Attn:	Wu Wenjie
	Facsimile:	021-52397391

14.1 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the PRC without reference to its conflict of laws rules.

14.2 Arbitration

14.2.1 Any dispute arising out of or relating to this Agreement shall first be subject to resolution through friendly consultation. If the dispute cannot be resolved within 60 days following the date on which the consultation starts or any longer period agreed by parties, the dispute shall be submitted to CIETAC for arbitration upon the request of either party in accordance to the arbitration rules effective on the execution date of this Agreement. There shall be three arbitrators. The arbitration shall be conducted in Beijing and the arbitral awards shall be final and binding on all parties.

14.2.2 When any dispute takes place or pending, each party shall still exercise other rights and perform other liabilities under this Agreement except the matter under dispute.

ARTICLE 15**MISCELLANEOUS****15.1 No Partnership**

Parties hereby agree that nothing herein contained shall be deemed to create or constitute a partnership, whether general liability or limited liability partnership, between the parties. Each party does not desire to become partners among each other as a result of the Current Investors' investment in the Target Group, or partner of any third party, or form any trust relationship among each other.

15.2 Amendment

This Agreement shall not be subject to amendment, modification or supplementation without each party's execution in writing.

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15.3 Waiver

Any waiver shall be effective only by the written instrument executed by the party granting the waiver. A party's failure or delay in exercising to exercise any right, power or remedies pursuant to this Agreement shall not constitute a waiver to such right, power or remedies nor will it impair further exercising any other right, power or remedies. Notwithstanding the foregoing, a party's waiver to any other party's breaching any provision of this Agreement shall not be deemed as waiver to any further breach to such provision or breach to any other provisions.

15.4 Entire Agreement

This Agreement (together with other Basic Documents and any other documents related to this Agreement) constitute the entire understanding of the parties with respect to the rights contemplated herein, and supersede any prior agreement related to such right.

For the avoidance of doubt, if any party or any two parties reach any agreement or similar arrangement that are in conflict or inconsistent with any term or condition of this Agreement or AOA, this Agreement shall prevail, each party shall exercise its rights and perform its obligations in accordance with this Agreement.

15.5 Severability

Each liability under this Agreement shall be deemed as one separate liability and shall be executed separately.

If any provision of this Agreement is determined to be unlawful, invalid or unenforceable in any respect under the Law of any jurisdiction, it does not affect: (i) the lawfulness, validity or enforceability of any other provisions in this Agreement or any other Basic Documents in this jurisdiction; (ii) the lawfulness, validity or enforceability of this provision or any other provision of this Agreement or any other Basic Document in any other jurisdiction.

If certain provision of this Agreement is unlawful, invalid or unenforceable in any jurisdiction, this provision shall be replaced by a provision agreed among each party. Such new provision shall be lawful, valid, enforceable and in accordance with government policies and shall carry out, as closely as possible of the replaced provision.

15.6 Counterpart

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

15.7 Consent to Specific Performance

The parties agree that the loss suffered by any party because of any other party's failure to performance any obligation under this Agreement could not be measured by money. Therefore, the parties hereby agree that either party has the right to sue for specific performance of the terms of this Agreement.

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15.8 Transfer; Assign

Unless other parties agree in writing, any party shall not assign this Agreement or transfer any rights or obligations under this Agreement to any person.

Notwithstanding the foregoing, in the premise that writing notice is sent to the Team Shareholder 5 business day in advance, the Current Investor and the Institutional Investors may, without each party's prior written consent, transfer all rights and liabilities under this agreement to any of its Affiliates. The Current Investors and the Institutional Investors hereby undertake that: without the written consent of the Team Shareholders, this Agreement shall not be assigned nor any right or obligation shall be transferred to competitors of the Target Group or Baidu (including its affiliated companies), Alibaba (including its affiliated companies) and Qihu (including its affiliated companies). The competitors of the Target Group include the travel booking e-commerce companies (such as elong, mango, Tempus, meituan, Expedia and its affiliated companies, Priceline and its affiliated companies), travel community companies (such as mafengwo and daodao), and travel search companies (such as qunar, kuxun and taobaoatip).

15.9 Joint Liability

For the avoidance of doubt, the Team Shareholder and each group company assume joint liability for any and all liabilities under this agreement to the Current Investor; whereas the Team Shareholder and each group company shall not assume liabilities under this Agreement to the Institutional Investors. The Institutional Investors shall only assume liabilities under this Agreement, not assume joint liabilities for any other party's liability under this Agreement.

(The remainder of this page is intentionally left blank)

Signature Page

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first above written.

Team Shareholders:

Wu Zhixiang

/s/ Wu Zhixiang

Zhang Hailong

/s/ Zhang Hailong

**Suzhou Industrial Park District Lecheng
Tianxia Investment Management Co., Ltd.**
(seal)

Name:
Title: Authorized representative

Wu Jian

/s/ Wu Jian

Ma Heping

/s/ Ma Heping

**Suzhou Industrial Park District Techeng
Wanli Investment Management Co., Ltd.**
(seal)

Name:
Title: Authorized representative

Wang Zhuan

/s/ Wang Zhuan

**Suzhou Industrial Park District Qingcheng
Investment Management Co., Ltd.**
(seal)

Name:
Title: Authorized representative

**Suzhou Industrial Park District Yecheng
Investment Management Co., Ltd.**
(seal)

Name:
Title: Authorized representative

Signature Page

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first above written.

Target Group:

Tongcheng Network Technology Co., Ltd.
(seal)

**Tongcheng International Travel Service
(Suzhou) Co., Ltd.**
(seal)

Suzhou Tongcheng Software Co., Ltd.
(seal)

Name:
Title: Authorized representative

**Suzhou Zhouzhuang Tongcheng Travel
Electronic Commerce Co., Ltd.**
(seal)

Name:
Title: Authorized representative

**Zhilv Tianxia (Suzhou) Information
Technology Co., Ltd.**
(seal)

Name:
Title: Authorized representative

Name:
Title: Authorized representative

Name:
Title: Authorized representative

Signature Page

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first above written.

Institutional Investor

Kaifeng Venture Capital Co., Ltd.
(seal)

**Suzhou Kaifeng Jinqu Venture Capital Co.,
Ltd.**
(seal)

**Suzhou Kaifeng Wansheng Venture Capital
Partnership (Limited Liability)**
(seal)

Name:
Title: Authorized representative

Name:
Title: Authorized representative

Name:
Title: Authorized representative

**Chengdu Shengtang Yinke Venture Capital
Partnership (Limited Liability)**
(seal)

Name:
Title: Authorized representative

Signature Page

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first above written.

Tencent:

**Shenzhen Century Kaihuang Investment
Fund Co., Ltd.**
(seal)

**Shenzhen Tencent Industry Investment Fund
Co., Ltd.**
(seal)

**Shenzhen Litong Industry Investment Fund Co.,
Ltd.**
(seal)

**Shenzhen Century Huixiang Technology Co.,
Ltd.**
(seal)

Signature Page

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first above written.

Boyu:

CDB Boyu I (Shanghai) Equity Investment Partnership (Limited Liability)

(seal)

Name:

Title: Authorized representative

Signature Page

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first above written.

Ctrip:

Shanghai Ctrip International Travel Service Co., Ltd. (seal)

Name:

Title: Authorized representative

SECURED CREDIT AGREEMENT

THIS SECURED CREDIT AGREEMENT, dated as of December 29, 2014 (the “Effective Date”) is by and between Exquisite Marine Ltd., a company organized in the British Virgin Islands with its registered office at Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands (the “Borrower”), and Ctrip Investment Holding Ltd, a company organized in British Virgin Islands with its registered office at Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands (together with its permitted assigns, the “Lender”).

RECITALS:

WHEREAS, the Borrower has requested the Lender to extend credit in the form of a Loan on the Closing Date in an aggregate principal amount not to exceed \$80,000,000;

WHEREAS, SkySea Holding International Ltd., a company organized in the British Virgin Islands with its registered office at Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands (the “Guarantor”), owns one hundred percent (100%) of the outstanding equity of the Borrower and is willing to guarantee the Borrower’s obligations hereunder pursuant to the Guarantee;

WHEREAS, the Lender is willing, on the terms and subject to the conditions hereinafter set forth (including Article V), to extend the Loan to the Borrower;

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, the parties hereby agree as follows:

ARTICLE I DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1 Defined Terms.

The following terms when used in this Agreement, including its preamble and recitals, shall, when capitalized, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

“Affiliate” of any Person means any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Agreement” means, on any date, this Secured Credit Agreement as originally in effect on the Effective Date and as thereafter from time to time amended, supplemented, amended and restated, or otherwise modified and in effect on such date.

“Applicable Jurisdiction” means any jurisdiction under which the Borrower is organized, domiciled or resident or from which any of its business activities are conducted or in which any of its properties are located and which has jurisdiction over the subject matter being addressed.

“Authorized Officer” means those officers of the Borrower or the Guarantor, as applicable, authorized to act with respect to the Loan Documents to which it is a party and whose signatures and incumbency shall have been certified to the Lender by any one director (or a duly authorised attorney-in-fact acting on behalf) of the Borrower or the Guarantor, as applicable.

“Borrower” is defined in the preamble.

“Borrowing and Instruction Notice” is defined in Section 2.2.

“Business Day” means any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York City or Shanghai.

“Capital Lease Obligations” means obligations of any Person or any Subsidiary of such Person under any leasing or similar arrangement which, in accordance with United States generally accepted accounting standards, would be classified as finance leases.

“Closing Date” is defined in Section 5.1 and is not to be later than December 31st, 2014.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Coordination Deed” means the coordination deed dated December 29, 2014 between the Borrower, the Guarantor, the Lender and RCL.

“Covered Taxes” is defined in Section 4.1.

“Ctrip HK” means Ctrip.com (Hong Kong) Limited

“Default” means any Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default.

“Dollar” and the sign “\$” means the lawful currency of the United States of America.

“Effective Date” is defined in the preamble.

“Environmental Laws” means all applicable federal, state, local or foreign statutes, laws, ordinances, codes, rules and regulations (including consent decrees and administrative orders) relating to the protection of the environment.

“Event of Default” is defined in Section 8.1.

“Existing Loan Agreement” is defined in Section 4.3

“Existing Vessel” means that passenger cruise vessel currently known as the “CELEBRITY CENTURY” owned by the Borrower.

“Existing Vessel Assignment” means the deed of assignment of the insurances of the Existing Vessel and entered into by the Borrower and Ctrip in favor of the Mortgagee, in such form as the Mortgagee may require.

“Existing Vessel Mortgage” means the first priority Maltese law mortgage of the Existing Vessel dated the Closing Date and executed by the Borrower in favor of the Mortgagee, to secure its obligations under this Agreement and the RCL Loan Agreement, in such form as the Mortgagee may require.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code or any intergovernmental agreements (together with any law implementing such agreements) entered into in connection with the implementation of such sections of the Code.

“Fiscal Quarter” means any quarter of a Fiscal Year.

“Fiscal Year” means, with respect to any Person, any annual fiscal reporting period of such Person.

“Government-related Obligations” means obligations of any Person or any Subsidiary of such Person under, or Indebtedness incurred by such Person or any Subsidiary of such Person to satisfy obligations under, any governmental requirement imposed by any Applicable Jurisdiction that must be complied with to enable such Person and its Subsidiaries to continue their business in such Applicable Jurisdiction, excluding, in any event, any taxes imposed on such Person or any Subsidiary of such Person.

“Guarantee” means the Guarantee by the Guarantor of the Borrower’s obligations under this Agreement, in such form as the Lender may require.

“Guarantor” is defined in the second recital.

“Hedging Instruments” means options, caps, floors, collars, swaps, forwards, futures and any other agreements, options or instruments substantially similar thereto or any series or combination thereof used to hedge interest, foreign currency and commodity exposures.

“herein”, “hereof”, “hereto”, “hereunder” and similar terms contained in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular Section, paragraph or provision of this Agreement or such other Loan Document.

“Indebtedness” means, for any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 180 days of the date the respective goods are delivered or the respective services are rendered; (c) Indebtedness of others secured by a Lien on the property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person; (d) obligations of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (e) Capital Lease Obligations of such Person; (f) Indebtedness of others guaranteed by such Person; (g) obligations of such Person in respect of surety bonds and similar obligations; and (h) Hedging Instruments.

“Indemnified Liabilities” is defined in Section 10.5.

“Indemnified Parties” is defined in Section 10.5.

“Initial Interest Period” means the period beginning on (and including) the Closing Date and ending on (and including), January 2, 2016.

“Interest Payment Date” means any date on which interest is payable with respect to the Loan or any part thereof pursuant to Section 3.2.3.

“Interest Period” means (i) the Initial Interest Period and (ii) for each period subsequent to such Initial Interest Period, successive periods of one year; provided that if any Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day.

“Lender” is defined in the preamble.

“Letter of Termination” means that letter of termination dated on or about the date hereof entered into by the Guarantor and Ctrip HK, providing for the early repayment of the outstanding principal amount under the Existing Loan Agreement.

“Lien” means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property to secure payment of a debt or performance of an obligation or other priority or preferential arrangement of any kind or nature whatsoever.

“Loan” means a Loan by the Lender to the Borrower as provided in Section 2.1.

“Loan Documents” means this Agreement, the Guarantee, the Security Documents and the Coordination Deed.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations or financial condition of the Guarantor and its Subsidiaries taken as a whole or (b) the ability of the Borrower or the Guarantor to perform its payment Obligations under the Loan Documents.

“Material Litigation” is defined in Section 6.8.

“Mortgagee” means RCL, in its capacity as security trustee for each of RCL and the Lender, together with its successors in such capacity.

“Obligations” means all obligations (monetary or otherwise) of the Borrower arising under or in connection with this Agreement and the other Loan Documents.

“Organic Documents” means, relative to any Person, its certificate of incorporation and its by-laws or similar organizational documents.

“Other Taxes” is defined in Section 4.1.

“Prepayment Event” is defined in Section 9.1.

“Person” means any natural person, corporation, partnership, firm, association, trust, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

“Rate” means, initially, 3% per annum. However, prior to each anniversary of the Closing Date, the Borrower and the Lender shall review and adjust the then current Rate to reflect then current market interest rates, it being agreed that the Rate shall be increased by a minimum of 50 basis points every two years. Each adjustment of the Rate in accordance with this provision shall be memorialized by a written instrument signed by both the Borrower and the Lender, which instrument shall be incorporated as an addendum to this Agreement.

“RCL” means Royal Caribbean Cruises Ltd.

“RCL Debt” means that certain loan made by RCL to the Borrower in the amount of \$80,000,000 under a loan agreement dated December 29, 2014 (the “RCL Loan Agreement”).

“Security Documents” means the Existing Vessel Mortgage and the Existing Vessel Assignment.

“Stated Maturity Date” means January 2, 2030.

“Subsidiary” means, with respect to any Person, any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person.

“Vessel” means a passenger cruise vessel owned by the Guarantor or one of its Subsidiaries, including the Borrower.

SECTION 1.2 Use of Defined Terms

Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall, when capitalized, have such meanings when used in each Borrowing and Instruction Notice, notice and other communication delivered from time to time in connection with this Agreement or the other Loan Documents.

SECTION 1.3 Cross-References

Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article or Section are references to such Article or Section of this Agreement or such other Loan Document, as the case may be, and, unless otherwise specified, references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

SECTION 1.4 Accounting and Financial Determinations

Unless otherwise specified, all accounting terms used herein shall be interpreted, all accounting determinations and computations hereunder or thereunder shall be made, and all financial statements required to be delivered hereunder or thereunder shall be prepared, in accordance with United States generally accepted accounting principles consistently applied (or, if not consistently applied, accompanied by details of the inconsistencies).

SECTION 1.5 References to other agreements

Unless a contrary intention appears, any reference in this Agreement to a Loan Document or any other agreement or instrument is a reference to that Loan Document to other agreement or instrument as amended, supplemented, extended or restated.

SECTION 1.6 Security Trustee

The Lender hereby confirms that, pursuant to the Coordination Deed, it has appointed, on behalf of itself and its successors and assigns hereunder, Royal Caribbean Cruises Ltd. (together with its successors in such capacity) as security trustee for the benefit of Royal Caribbean Cruises Ltd and of Ctrip Investment Holding Ltd of the British Virgin Islands for the purposes of the Civil Code (Chapter 16 Laws of Malta), the Merchant Shipping Act (Chapter 234 Laws of Malta) and the laws of Malta generally under and in connection with the registration of the Existing Vessel Mortgage.

ARTICLE II COMMITMENTS, BORROWING PROCEDURES

SECTION 2.1 The Loan

The Lender agrees, on the terms and conditions hereinafter set forth, to make a Loan to the Borrower on the Closing Date in an aggregate amount not to exceed \$80,000,000. Amounts borrowed pursuant to this Section 2.1 and repaid or prepaid may not be reborrowed under this Agreement.

SECTION 2.2 Borrowing Procedure

- (a) The Loan shall be made on written notice by the Borrower to the Lender in the form attached hereto as Appendix A (the “**Borrowing and Instruction Notice**”) given no later than 5:00 p.m. New York time on the third Business Day prior to the date of the funding of the Loan. Subject to the Lender’s receipt of the Borrowing and Instruction Notice, and the satisfaction of the other conditions set forth in this Agreement, the Lender shall, without any set-off or counterclaim, make the Loan funds available to the Borrower at the account specified in accordance with Section 4.3 and set forth in the Borrowing and Instruction Notice, given before 5:00 p.m. New York time on the date of the Loan. In the event the Borrower revokes the Borrowing and Instruction Notice or delays the drawing of the Loan from the date specified in the Borrowing and Instruction Notice, the Borrower shall reimburse the Lender for any interest charges or breakage fees incurred by the Lender in connection with the cancelled or delayed drawdown. The parties acknowledge and agree that the Borrower shall borrow \$80,000,000 under this Agreement and \$80,000,000 under the RCL Loan Agreement concurrently at the time all obligations under the Existing Loan Agreement are discharged.

- (b) Only one Loan may be requested in the Borrowing and Instruction Notice.

- (c) The currency specified in the Borrowing and Instruction Notice shall be Dollars.

ARTICLE III REPAYMENTS, PREPAYMENTS, INTEREST AND FEES

SECTION 3.1 Repayments and Prepayments

Section 3.1.1 Amortization. The Borrower shall repay the outstanding principal amount of the Loan in accordance with the following schedule:

<u>Repayment Date</u>	<u>Amount of Prepayment (Dollars)</u>
January 2, 2021	\$ 8,000,000
January 2, 2022	\$ 8,000,000
January 2, 2023	\$ 8,000,000
January 2, 2024	\$ 8,000,000
January 2, 2025	\$ 8,000,000
January 2, 2026	\$ 8,000,000
January 2, 2027	\$ 8,000,000
January 2, 2028	\$ 8,000,000
January 2, 2029	\$ 8,000,000
January 2, 2030	\$ 8,000,000

Section 3.1.2 Prepayment and acceleration. In addition, the Borrower may, from time to time on any Business Day, make a voluntary prepayment, in whole or in part, of the outstanding principal amount of the Loan upon no less than two Business Days prior written notice to the Lender. Upon any acceleration of the Stated Maturity Date of the Loan pursuant to Section 8.2 or the mandatory repayment of the Loan pursuant to Section 9.2, the Borrower shall immediately repay the Loan. Each prepayment or repayment of the Loan made pursuant to this Section shall be without premium or penalty and shall be accompanied by accrued interest and, in respect of a voluntary prepayment under this Section 3.1.2, such prepayment shall be applied in inverse order against the then remaining repayment instalments.

SECTION 3.2 Interest Provisions

Interest on the outstanding principal amount of the Loan shall accrue and be payable in accordance with this Section 3.2.

Section 3.2.1 Rates Payable by the Borrower

(a) The Borrower shall pay interest on the outstanding principal amount of the Loan at a rate per annum during each Interest Period equal to the Rate then currently in effect.

(b) The Loan shall bear interest from and including the first day of the applicable Interest Period to (and including) the last day of such Interest Period at the Rate.

(c) All interest hereunder shall be computed on the basis of a year of 360 days, shall accrue from day to day and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

Section 3.2.2 Post-Maturity Rates

After the date any principal amount of the Loan is due and payable (whether on the maturity, upon acceleration or otherwise), or after any other monetary Obligation of the Borrower shall have become due and payable, the Borrower shall pay, but only to the extent permitted by law, interest (after as well as before judgment) on such amounts for each day during the period of such default at a rate per annum to be equal to the sum of (a) the Rate plus (b) 2% per annum.

Section 3.2.3 Payment Dates

Interest accrued on the Loan shall be payable, without duplication:

- (a) on the Stated Maturity Date;
- (b) on the date of any payment or prepayment, in whole or in part, of principal outstanding on the Loan (but only on the principal so paid or prepaid);
- (c) on the last day of each Interest Period; and
- (d) immediately upon the acceleration of the Stated Maturity Date pursuant to Section 8.2 or a mandatory repayment pursuant to Section 9.2.

Interest accrued on the Loan or other monetary Obligations of the Borrower arising under this Agreement after the date such amount is due and payable (whether on maturity, upon acceleration or otherwise) shall be payable upon demand of the Lender.

ARTICLE IV CERTAIN OTHER PROVISIONS

SECTION 4.1 Taxes

All payments by the Borrower of principal of, and interest on, the Loan and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, other than (i) any taxes imposed on or measured by the Lender's overall net income and franchise taxes imposed on the Lender (in lieu of net income taxes), by a jurisdiction (or any political subdivision thereof) as a result of Lender being organized or resident, conducting business (other than a business deemed to arise from Lender having executed, delivered or performed its obligations or received a payment under, or enforced, or otherwise with respect to, this Agreement or any other Loan Document) or having its principal office in such jurisdiction and (ii) any withholding taxes imposed under FATCA ("Covered Taxes").

In the event that any withholding or deduction from any sum payable under this Agreement or any other Loan Document is required in respect of any Covered Taxes or any tax is assessed on the Lender by reference to any amount received or receivable under this Agreement or any other Loan Document pursuant to any applicable law, rule or regulation, then the following shall apply:

- (a) The Borrower shall pay directly to the relevant authority the full amount required to be so withheld or deducted.
- (b) The Borrower shall promptly (and in any event within thirty (30) days of such payment) deliver to the Lender an official receipt or other documentation satisfactory to the Lender evidencing such payment to such authority.
- (c) The Borrower shall pay to the Lender, together with such payment, such additional amount or amounts as is necessary to ensure that the net amount actually received by the Lender will equal the full amount the Lender would have received had no such withholding or deduction been required.

Moreover, if any Covered Taxes are directly asserted against the Lender with respect to any payment received by the Lender hereunder, the Lender may pay such taxes and the Borrower will promptly pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by the Lender after the payment of such taxes shall equal the amount the Lender would have received had no such taxes been asserted.

In addition, the Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies that arise from any payment made hereunder or any other documents to be delivered hereunder or from the execution, delivery or registration of,

performance under, or otherwise with respect to, this Agreement or any other documents to be delivered hereunder (hereinafter referred to as "Other Taxes").

If the Borrower fails to pay any Covered Taxes or Other Taxes when due to the appropriate taxing authority (or, as applicable, the Lender) or fails to remit to the Lender the required receipts or other required documentary evidence, the Borrower shall indemnify the Lender for any incremental withholding taxes, Other Taxes, interest or penalties or expenses that may become payable by the Lender as a result of any such failure (except to the extent that such amount becomes payable as a result of the failure of the Lender to provide timely notice to the Borrower of the assertion of a liability related to the payment of Covered Taxes or Other Taxes).

In the event any payments required to be made by the Borrower pursuant to this Section exceed \$100,000 in the aggregate, the parties will use commercial best efforts to restructure the Loan to the extent such restructuring would eliminate such payments or reduce the amount thereof below such threshold (so long as the Lender would not thereby incur any material loss)..

SECTION 4.2 Payments, Computations, etc.

Unless otherwise expressly provided, all payments by the Borrower pursuant to this Agreement shall be made by the Borrower to the Lender without setoff, deduction or counterclaim, not later than 12:00 p.m, New York time, on the date due, in same day or immediately available funds to such account as the Lender shall specify from time to time by notice to the Borrower. Funds received after that time shall be deemed to have been received by the Lender on the next succeeding Business Day. All interest and fees shall accrue from day to day and be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such interest or fee is payable over a year comprised of 360 days. Whenever any payment to be made shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day (unless the next succeeding Business Day is the first Business Day of a calendar month, in which case such payment shall be made on the Business Day preceding the first Business Day of such calendar month) and such extension of time shall be included in computing interest and fees, if any, in connection with such payment.

SECTION 4.3 Use of Proceeds

The proceeds of the Loan shall be paid directly to Ctrip HK in accordance with instructions heretofore provided by the Borrower. Such payment shall constitute (a) the reduction by \$80,000,000 in the intercompany receivable owing by the Borrower to the Guarantor and (b) the payment by the Guarantor of \$80,000,000 of the outstanding principal amount of the loan under the loan agreement between Ctrip HK and the Guarantor (the "**Existing Loan Agreement**").

SECTION 4.4 Setoff

In addition to and without limitation on any other rights of the Lender under any applicable laws, it is hereby agreed that upon and during the continuance of any Event of Default or Prepayment Event, the Lender shall have the right to offset and apply any indebtedness from the Lender (in whatever capacity) to the Borrower against, and in pro tanto satisfaction of, the monetary Obligations of the Borrower hereunder. All amounts so obtained by the Lender shall first be applied to amounts owing other than interest and principal, second to accrued and unpaid interest and third to the principal balance of the Loan.

ARTICLE V CONDITIONS TO CLOSING

SECTION 5.1 Conditions Precedent to Funding of the Loan

The obligation of the Lender to fund the Loan in accordance with Article II shall be effective on and only as of the first date (the "Closing Date") on which each of the conditions precedent set forth in this Section 5.1 shall have been satisfied.

Section 5.1.1 Resolutions, etc. The Lender shall have received from each of the Borrower and the Guarantor a certificate, dated the Effective Date (and signed by any one of its directors) as to the incumbency and signatures of those of its Authorised Officers authorized to act with respect to this Agreement and each other Loan Document to which it is a party and as to the truth and completeness of the attached documents thereto (as set forth below):

(x) resolutions of the board of directors then in full force and effect authorizing the execution, delivery and performance of this Agreement and each other Loan Document to which it is a party, and

(y) its Organic Documents,

and upon which certificate the Lender may conclusively rely.

Section 5.1.2 Opinions of Counsel. The Lender shall have received (i) an opinion, dated the Closing Date and for the benefit of RCL, as security trustee for RCL (in its capacity as lender under the RCL Loan Agreement) and the Lender herein, from such legal counsel on matters of Maltese law as the Lender deems fit, and (ii) an opinion dated the Closing Date and addressed to the Lender, from such legal counsel on matters of British Virgin Islands law as the Lender deems fit.

Section 5.1.3 Compliance with Warranties, No Default, etc. Both before and after giving effect to the funding of the Loan, the following statements shall be true and correct:

(a) the representations and warranties set forth in Article VI shall be true and correct with the same effect as if then made; and

(b) no Default and no Prepayment Event shall have occurred and be continuing.

Section 5.1.4 Borrowing and Instruction Notice. The Lender shall have received the Borrowing and Instruction Notice. The delivery of the Borrowing and Instruction Notice shall constitute a representation and warranty by the Borrower that on the date of the funding of the Loan (both immediately before and after giving effect to the Loan and the application of the proceeds thereof) the statements made in Section 5.1.3 are true and correct, together with an instruction by the Borrower to the Lender, acknowledged by Ctrip HK, to pay the proceeds of the Loan directly to Ctrip HK.

Section 5.1.5 Guarantee. The Lender shall have received the Guarantee duly executed by the Guarantor (in the form thereof most recently furnished to the Lender prior to the date hereof).

Section 5.1.6 Existing Vessel Mortgage. (i) The first priority Existing Vessel Mortgage and related Existing Vessel Assignment (each in the form thereof most recently furnished to the Lender prior to the date hereof) shall have been duly executed and/or delivered to the Lender and (ii) the Existing Vessel shall be subject to the Lien of the first priority Existing Vessel Mortgage duly recorded with the Malta International Ship Register with first-ranking priority and (iii) all notices in connection with the Existing Vessel Assignment have been issued and (if provided therein) acknowledged; and (iv) RCL, in its capacity as security trustee, shall have received loss payable endorsements and other documents in respect of the Existing Vessel Assignment in form and substance satisfactory to RCL, in its capacity as security trustee.

Section 5.1.7 Coordination Deed, Letter of Termination and the RCL Loan Agreement. The Lender shall have received a fully executed counterpart of the Coordination Deed, the Letter of Termination and the RCL Loan Agreement.

ARTICLE VI REPRESENTATIONS AND WARRANTIES

To induce the Lender to enter into this Agreement and to continue to make the Loan hereunder, the Borrower represents and warrants to the Lender as set forth in this Article VI, as of the Closing Date.

SECTION 6.1 Organization, etc.

The Borrower is an entity validly organized and existing under the laws of its jurisdiction of organization; the Borrower is duly qualified to do business in each jurisdiction where the nature of its business requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect; and the Borrower has full power and authority, has taken all corporate action and holds all governmental and creditors' licenses, permits, consents and other approvals necessary to enter into each Loan Document to which it is a party and to perform its Obligations thereunder.

SECTION 6.2 Due Authorization, Non-Contravention, etc.

The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not:

- (a) contravene the Borrower's Organic Documents;
- (b) contravene any law or governmental regulation of any Applicable Jurisdiction except as would not reasonably be expected to result in a Material Adverse Effect;
- (c) contravene any court decree or order binding on the Borrower or any of its property except as would not reasonably be expected to result in a Material Adverse Effect;

(d) contravene any contractual restriction binding on the Borrower or any of its property except as would not reasonably be expected to result in a Material Adverse Effect; or

(e) except for the Liens created by the Security Documents, result in, or require the creation or imposition of, any Lien on any of the properties of the Borrower except as would not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.3 Government Approval, Regulation, etc.

No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other Person is required for the due execution, delivery or performance by the Borrower of this Agreement or any other Loan Document to which it is a party. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other Person is required for the due execution, delivery or performance by the Borrower of this Agreement or any other Loan Document to which it is a party (except for the recording or registration of the Existing Vessel Mortgage and giving of notices pursuant to the Existing Vessel Assignment). The Borrower holds all governmental licenses, permits and other approvals required to conduct its business as conducted by it on the Closing Date, except to the extent the failure to hold any such licenses, permits or other approvals would not have a Material Adverse Effect.

SECTION 6.4 Compliance with Environmental Laws

The Borrower is in compliance with all applicable Environmental Laws, except to the extent that the failure to so comply would not have a Material Adverse Effect.

SECTION 6.5 Validity, etc.

This Agreement constitutes, and each of the other Loan Documents will, on the due execution and delivery thereof, constitute, the legal, valid and binding obligations of the Borrower party thereto, enforceable in accordance with their respective terms, except as the enforceability thereof may be

limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles.

SECTION 6.6 No Default or Prepayment Event

No Default or Prepayment Event has occurred and is continuing.

SECTION 6.7 Litigation

There is no action, suit, litigation, investigation or proceeding pending or, to the knowledge of the Borrower, threatened against the Borrower that (i) in the Borrower's reasonable opinion, might reasonably be expected to materially adversely affect the business, operations or financial condition of the Guarantor, the Borrower and their respective Subsidiaries (taken as a whole) (collectively, "Material Litigation") or (ii) purports to affect the legality, validity or enforceability of the Loan Documents or the consummation of the transactions contemplated hereby.

SECTION 6.8 Vessels

The Existing Vessel is:

- (a) legally and beneficially owned by the Borrower;
- (b) registered in the name of the Borrower in the Maltese Ship Register and flagged in Malta;
- (c) classed as required by Section 7.1.4(b);
- (d) free of all Liens, other than Liens permitted by Section 7.2.3; and
- (e) insured against loss or damage in compliance with Section 7.1.5.

SECTION 6.9 Obligations Rank Pari Passu

The Obligations of the Borrower rank at least pari passu to all other unsecured and unsubordinated Indebtedness of the Borrower, except for the priority afforded by the Security Documents.

SECTION 6.10 No Filing, etc. Required

No filing, recording or registration and no payment of any stamp, registration or similar tax is necessary under the laws of any Applicable Jurisdiction to ensure the legality, validity, enforceability, priority or admissibility in evidence of this Agreement (except for filings, recordings, registrations or payments not required to be made on or prior to the Closing Date that have been made).

SECTION 6.11 No Immunity

The Borrower is subject to civil and commercial law with respect to its Obligations. Neither the Borrower nor any of its properties or revenues is entitled to any right of immunity in any Applicable Jurisdiction from suit, court jurisdiction, judgment, attachment (whether before or after judgment), set-off or execution of a judgment or from any other legal process or remedy relating to its Obligations (to the extent such suit, court jurisdiction, judgment, attachment, set-off, execution, legal process or remedy would otherwise be permitted or exist).

SECTION 6.12 Accuracy of Information

The financial and other information (other than financial projections or other forward looking information) furnished to the Lender in writing by or on behalf of the Borrower in connection with the negotiation of this Agreement is, when taken as a whole, to the best knowledge and belief of the Borrower, true and correct and contains no misstatement of a fact of a material nature. All financial projections, if any, that have been furnished to the Lender in writing by or on behalf of the Borrower in connection with this Agreement have been or will be prepared in good faith based upon assumptions believed by the Borrower to be reasonable at the time made (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond the Borrower's control, and that no assurance can be given that the projections will be realized).

SECTION 6.13 Security Interests; Perfection

(a) Upon execution and delivery of the Existing Vessel Assignment, the provisions thereof relating to the assignment of Insurances (as defined therein) maintained over the Existing Vessel, will create in favor of the Mortgagee a valid, binding and enforceable, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles, and upon notification to the underwriters, first priority security interest and Lien in all right, title and interest in the collateral therein described, and shall, upon execution by the parties thereto and notification of underwriters, to the extent required by the relevant insurances, constitute a fully perfected first priority security interest in favor of the Mortgagee in all right, title and interest in such collateral.

(b) Upon execution, delivery and registration of the Existing Vessel Mortgage, the provisions of the Existing Vessel Mortgage will create in favor of the Mortgagee a valid, binding and enforceable first priority security interest and Lien in all right, title and interest in the collateral therein described, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles. Upon execution and delivery of the Existing Vessel Mortgage and upon registration of the Existing Vessel Mortgage with the Maltese Ships' Registry, the Existing Vessel Mortgage (i) will constitute under the laws of Malta a legal, valid, enforceable and duly perfected first priority ship mortgage and Lien upon the Existing Vessel and upon all renewals, replacements and improvements made in or to the same, (ii) will be enforceable against the Borrower and all third parties under the applicable laws of Malta and (iii) will secure the due payment of all obligations of the

Borrower under the Loan Documents. Except as set forth in the prior sentence, no other filing or recording or refiling or rerecording or other act is necessary or advisable to create or perfect such mortgage interests in the Existing Vessel under the Existing Vessel Mortgage.

SECTION 6.14 Solvency.

After giving effect to the making the Loan and the use of the proceeds thereof, the Borrower is not “insolvent” within the meaning given to such term in Section 101(32) of the United States Bankruptcy Code. The application of the proceeds of the Loan shall constitute (a) the reduction by \$80,000,000 in the intercompany receivable owing by the Borrower to the Guarantor and (b) the payment by the Guarantor of \$80,000,000 of the outstanding principal amount of the loan under the Existing Loan Agreement.

ARTICLE VII COVENANTS

SECTION 7.1 Affirmative Covenants

The Borrower agrees with the Lender that, until all Obligations have been paid in full, the Borrower will perform its obligations set forth in this Section 7.1.

Section 7.1.1 Financial Information, Reports, Notices, etc.

The Borrower will furnish, or will cause to be furnished, to the Lender the following financial statements, reports, notices and information:

(a) not later than 120 days after the end of each Fiscal Year of the Borrower, audited financial statements of the Borrower for such Fiscal Year prepared in accordance with United States generally accepted accounting principles;

(b) not later than 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year of the Borrower, unaudited financial statements of the Borrower for such Fiscal Quarter prepared in accordance with United States generally accepted accounting principles, subject to normal year-end audit adjustments and certified as to their correctness in all material respects by the chief financial officer of the Borrower;

(c) as soon as possible after the occurrence of a Default or Prepayment Event, a statement of the chief financial officer of the Borrower setting forth details of such Default or Prepayment Event (as the case may be) and the action which the Borrower has taken and proposes to take with respect thereto;

(d) as soon as the Borrower becomes aware thereof, notice of any event which, in its reasonable opinion, would be expected to materially adversely affect the business, operations, prospects or financial condition of the Borrower or the Borrower’s ability to perform under this Agreement;

(e) as soon as the Borrower becomes aware thereof, notice of any suspension or revocation of the Existing Vessel’s classification;

(f) immediately upon request by the Lender, such agreements, filings, reports, documentation and other information as may be reasonably available to the Borrower concerning any Liens (including Liens permitted pursuant to Section 7.2.3) on the Existing Vessel; and

(g) such other information as the Lender may from time to time reasonably request.

Section 7.1.2 Approvals and Other Consents

The Borrower will obtain (or cause to be obtained) all such governmental licenses, authorizations, consents, permits and approvals as may be required for (a) the Borrower to perform its obligations under this Agreement and the other Loan Documents to which it is a party and (b) except to the extent that failure to obtain (or cause to be obtained) such governmental licenses, authorizations, consents, permits and approvals would not be expected to have a Material Adverse Effect, the operation of any Vessel owned by the Borrower in compliance with all applicable laws.

Section 7.1.3 Compliance with Laws, etc.

The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders including, without limitation, all anti-corrupt practices laws and regulations applicable to the Borrower (including not making or causing to be made any offer, gift or payment, consideration or benefit of any kind to anyone, either directly or indirectly, as an inducement or reward for the performance of any of the transactions contemplated by this Agreement or any of the other Loan Documents to which the Borrower is a party to the extent the same would be in contravention of such applicable laws), in each case except to the extent that the failure to so comply would not have a Material Adverse Effect.

Section 7.1.4 Existing Vessels

The Borrower will:

(a) with the exception of the charter to Celebrity Cruises Inc., cause the Existing Vessel to be chartered exclusively to or operated exclusively by the Borrower, the Guarantor or one of the Guarantor’s wholly owned Subsidiaries, provided that the Borrower may charter out the Existing Vessel on any time or consecutive voyage charter for a term which does not exceed three (3) months duration (it being understood that this provision is not intended to include chartered sales of cruise tickets); and

(b) cause the Existing Vessel to be kept in such condition as will entitle her to classification by Lloyd’s Register as a “1-A1 Passenger Ship” or by any other classification society acceptable to Lender with a comparable classification acceptable to the Lender.

Section 7.1.5 Insurance

The Borrower will comply with its insurance obligations in respect of the Existing Vessel as set out in the Existing Vessel Assignment.

Section 7.1.6 Books and Records

The Borrower will, and will cause each of its Subsidiaries to, keep books and records that accurately reflect all of its business affairs and transactions and permit the Lender or any of its representatives, at reasonable times and intervals, to visit each of its offices, to discuss its financial matters with its officers and to examine any of its books or other corporate records.

Section 7.1.7 Security Interests; Perfection

As of the Closing Date, the Borrower has granted and maintains a first priority ship mortgage and Lien over the Existing Vessel in favour of the Mortgagee in the amount of \$192 million and will (i) cause the Existing Vessel Mortgage to be duly registered with the Maltese Ship Register, (ii) comply with and satisfy all laws or regulations of any Applicable Jurisdiction which are deemed by the Mortgagee to be necessary to duly constitute the Existing Vessel Mortgage as a legal, valid, binding and enforceable first priority (as the case may be) ship mortgage and Lien over the Existing Vessel, (iii) on behalf of the Mortgagee, file and perform (and hereby authorize the Mortgagee each to so file and perform) any other filings, registrations and recordings as well as any amendments, continuation statements or other similar supplemental filings as may be deemed necessary by the Mortgagee to perfect and maintain the perfection of the lien over (w) the Existing Vessel granted pursuant to the Existing Vessel Mortgage and (x) the relevant assets and rights granted pursuant to the Existing Vessel Assignment.

Section 7.1.8 Asset Maintenance

(a) At least 15 days prior to each anniversary of the Closing Date and upon request of the Lender from time to time, the Borrower shall provide the Lender with a written statement of the book value of the Existing Vessel (certified by the chief financial officer of the Borrower) determined in accordance with United States generally accepted accounting principles.

(b) If, at any time the Lender notifies the Borrower in writing that:

- (i) the book value (determined as provided in Section 7.1.8(a)) of the Existing Vessel; plus
- (ii) the market value of any additional security previously provided under this Section 7.1.8,

is less than 100% of the sum of the outstanding principal amount of the Loan and the outstanding principal amount of the RCL Debt (the "Asset Maintenance Ratio"), the Borrower shall, within fifteen (15) days after the date on which the Lender's written notice is delivered either:

- (1) provide additional security upon such terms as are acceptable to Lender in its reasonable discretion and which, in the opinion of the Lender, has a market value sufficient to enable compliance with the Asset Maintenance Ratio; or
- (2) prepay such part of the Loan as will enable compliance with the Asset Maintenance Ratio.

SECTION 7.2 Negative Covenants

The Borrower agrees with the Lender that, until all Obligations have been paid and performed in full, the Borrower will perform its obligations applicable to it set forth in this Section 7.2.

Section 7.2.1 Business Activities

The Borrower will not engage in any business activity other than the ownership, operation and chartering of the Existing Vessel and other business activity reasonably related thereto.

Section 7.2.2 Indebtedness

The Borrower will not, and will not permit any of its Subsidiaries, to create, incur, assume or suffer to exist or otherwise become or be liable in respect of any Indebtedness, other than, without duplication, the following:

- (a) the RCL Debt; and
- (b) Indebtedness under this Agreement.

Without the written consent of the Lender, the Borrower shall not increase the outstanding amount of the RCL Debt in excess of \$80 million.

Section 7.2.3 Liens

The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except:

-
- (a) Liens on the Existing Vessel created by the Security Documents.

- (b) Liens securing Government-related Obligations of the Borrower;
 - (c) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being diligently contested in good faith by appropriate proceedings;
 - (d) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being diligently contested in good faith by appropriate proceedings;
 - (e) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits;
 - (f) Liens for current crew's wages and salvage;
 - (g) Liens arising by operation of law as the result of the furnishing of necessities for or the operation of the Existing Vessel so long as the same are discharged in the ordinary course of business or are being diligently contested in good faith by appropriate proceedings;
 - (h) Liens on Vessels that:
 - (i) secure obligations covered (or reasonably expected to be covered) by insurance;
 - (ii) were incurred in the course of or incidental to trading such Vessel in connection with repairs or other work to such Vessel; or
 - (iii) were incurred in connection with work to such Vessel that is required to be performed pursuant to applicable law, rule, regulation or order;
- provided that, in each case described in this clause (i), such Liens are either (x) discharged in the ordinary course of business or (y) being diligently contested in good faith by appropriate proceedings; and
- (i) any Liens created with the prior written consent of the Lender.
-

Section 7.2.4 Consolidation, Merger, etc.

The Borrower will not liquidate or dissolve, consolidate with, or merge into or with, any other corporation, or purchase or otherwise acquire all or substantially all of the assets of any Person without the prior written consent of the Lender.

Section 7.2.5 Asset Dispositions, etc.

The Borrower will not sell, transfer, contribute or otherwise convey, or grant options, warrants or other rights with respect to, the Existing Vessel.

Section 7.2.6 Default

The Borrower shall not commit or do, or fail to commit or do, any act or thing which would constitute a default which remains uncured beyond any grace period under any of the terms or provisions of any agreement, document or instrument executed, or to be executed, by the Borrower or any Subsidiary, including, but not limited to, the RCL Loan Agreement, which default would have a Material Adverse Effect on the Borrower.

Section 7.2.7 Amendments to RCL Loan Agreement

The Borrower will not amend, modify, supplement or waive any provision under the RCL Loan Agreement without amending, modifying or supplementing, as the case may be, this Agreement or obtaining a waiver hereunder, which shall be in the sole discretion of the Lender.

ARTICLE VIII EVENTS OF DEFAULT

SECTION 8.1 Events of Default

Each of the following events or occurrences described in this Section 8.1 shall constitute an "Event of Default".

Section 8.1.1 Non-Payment of Obligations

The Borrower shall default in the payment when due of any principal of or interest on the Loan or the RCL Debt.

Section 8.1.2 Breach of Warranty

Any representation or warranty of the Borrower or the Guarantor made or deemed to be made hereunder (including any documents delivered pursuant to this Agreement), the Guarantee, or under any of the Security Documents is or shall be incorrect when made in any material respect.

Section 8.1.3 Non-Performance of Certain Covenants and Obligations

The Borrower or the Guarantor shall default in the due performance and observance of any other agreement contained herein, the Guarantee or in any other Loan Document to which it is a party and such default shall continue unremedied for a period of five days after notice thereof shall have been

given to the Borrower or the Guarantor, as applicable, by the Lender (or, if (a) such default is capable of being remedied within 30 days (commencing on the first day following such five-day period) and (b) the Borrower or the Guarantor, as applicable, is actively seeking to remedy the same during such period, such default shall continue unremedied for at least 35 days after such notice to the Borrower or the Guarantor, as applicable).

Section 8.1.4 Default on Other Indebtedness

Any of the following occurs:

(a) the Borrower or the Guarantor shall fail to pay any Indebtedness, excluding Indebtedness hereunder, that is outstanding in a principal amount of \$10,000,000 or more (or the equivalent in other currencies) when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or

(b) any other event shall occur or condition shall exist under the RCL Loan Agreement or any other agreement or instrument evidencing, securing or relating to any Indebtedness described in Section 8.1.4(a) (i.e., any Indebtedness excluding Indebtedness hereunder, that is outstanding in a principal amount of \$10,000,000 or more) and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to cause or permit the holder or holders of such Indebtedness to cause such Indebtedness to become due and payable prior to its scheduled maturity; or

(c) any Indebtedness of the Borrower or the Guarantor described in Section 8.1.4(a) (i.e., any Indebtedness excluding Indebtedness hereunder, that is outstanding in a principal amount of \$10,000,000 or more) shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption or by voluntary agreement), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness is required to be made, in each case prior to the scheduled maturity thereof.

For purposes of determining Indebtedness for any Hedging Instrument, the principal amount of the obligations under any such instrument at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or the Guarantor, as applicable would be required to pay if such instrument were terminated at such time.

Section 8.1.5 Bankruptcy, Insolvency, etc.

The Borrower or the Guarantor shall:

(a) generally fail to pay, or admit in writing its inability to pay, its debts as they become due;

(b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for it or any of its property, or make a general assignment for the benefit of creditors;

(c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for it or for a substantial part of its property, and such trustee, receiver, sequestrator or other custodian shall not be discharged within 30 days, provided that each of the Borrower and the Guarantor hereby expressly authorizes the Lender to appear in any court conducting any relevant proceeding during such 30-day period to preserve, protect and defend its respective rights under the Loan Documents;

(d) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower or the Guarantor, and, if any such case or proceeding is not commenced by the Borrower or the Guarantor, such case or proceeding shall be consented to or acquiesced in by the Borrower or the Guarantor, as applicable, or shall result in the entry of an order for relief or shall remain for 30 days undismissed, provided that each of the Borrower and the Guarantor hereby expressly authorizes the Lender to appear in any court conducting any such case or proceeding during such 30-day period to preserve, protect and defend their respective rights under the Loan Documents;

(e) take any corporate action authorizing, or in furtherance of, any of the foregoing.

SECTION 8.2 Action if Event of Default

If any Event of Default shall occur for any reason, whether voluntary or involuntary, and be continuing, the Lender may, by written notice to the Borrower, declare all of the outstanding principal amount of the Loan and other Obligations to be due and payable, whereupon the full unpaid amount of such Loan and other Obligations shall be and become immediately due and payable, without further notice, demand or presentment.

ARTICLE IX PREPAYMENT EVENTS

SECTION 9.1 Prepayment Events

Each of the following events or occurrences described in this Section 9.1 shall constitute a "Prepayment Event".

Section 9.1.1 Change in Ownership

The Guarantor shall cease to directly or indirectly own (through one or more wholly owned Subsidiaries) 100% of the outstanding equity of the Borrower.

Section 9.1.2 Unenforceability

Any Loan Document to which it is a party shall cease to be the legally valid, binding and enforceable obligation of the Borrower or Guarantor party thereto (in each case, other than with respect to provisions of any Loan Document that a court of competent jurisdiction has determined are not material) and such event shall continue unremedied for 15 days after notice thereof has been given to the Borrower and/or Guarantor, as applicable, by the Lender.

Section 9.1.3 Approvals

Any material license, consent, authorization, registration or approval at any time necessary to enable the Borrower to conduct its business shall be revoked, withdrawn or otherwise cease to be in full force and effect, unless the same would not have a Material Adverse Effect.

Section 9.1.4 Judgments

Any judgment or order for the payment of money in excess of \$10,000,000 shall be rendered against the Borrower by a court of competent jurisdiction and the Borrower shall have failed to satisfy such judgment and either:

(a) enforcement proceedings in respect of any material assets of the Borrower shall have been commenced by any creditor upon such judgment or order and shall not have been stayed or enjoined within five Business Days after the commencement of such enforcement proceedings; or

(b) there shall be any period of 10 consecutive Business Days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

Section 9.1.5 Arrest

The Existing Vessel shall be arrested and the same shall continue unremedied for at least 20 days.

Section 9.1.6 Total Loss

The Existing Vessel is or becomes a Total Loss and the period of one hundred and twenty days from such Total Loss has elapsed. "Total Loss" for these purposes shall mean (a) the actual, constructive, compromised, agreed or arranged total loss of the Existing Vessel (b) any expropriation, confiscation, requisition or acquisition of the Existing Vessel whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire), or (c) any arrest, capture, seizure or detention of the Existing Vessel (including any hijacking or theft), unless, in the case of (b) or (c) above, the Existing Vessel is redelivered to the Borrower's full control, possession and enjoyment before the date on which prepayment is required to be made under Section 9.2 hereof. A Total Loss shall be deemed to have occurred (i) in the event of an actual loss of the Existing Vessel at noon Greenwich Mean Time on the date of such loss or if that is not known on the date which the Existing Vessel was last heard from; (ii) in the event of damage which results in a constructive or compromised or arranged total loss of the Existing Vessel, at noon Greenwich Mean Time on the date of the event giving rise to such damage; or (iii) in the case of an event referred to in clause (b) or (c) of the immediately preceding sentence, at noon Greenwich Mean Time on the date on which such event is expressed to take effect by the Person making the same.

Section 9.1.7 Sale/Disposal of Vessel

The Existing Vessel is sold, transferred or otherwise disposed of by the Borrower without the Lender's consent.

Section 9.1.8 Perfection

For any reason, (a) the Lender shall cease to have a first priority ship mortgage and Lien over the Existing Vessel under the Existing Vessel Mortgage, (b) the Lender shall cease to have a perfected first priority security interest in, charge over, or assignment of any of the other collateral granted under any of the other Security Documents, or (c) any Security Document shall cease to be valid or enforceable in accordance with its terms or shall cease to give the secured party thereunder, the security interests, liens, rights, powers or privileges purported to be created thereby, in each case, other than as permitted by the terms of the applicable Security Document; provided, however, that if any of the events specified in clauses (a) through (c) of this Section 9.18 are capable of being remedied within 15 days of the occurrence thereof, a Prepayment Event shall only be deemed to occur if the event remains unremedied at the end of such 15 day period if the Borrower is actively seeking to remedy the same during such period.

SECTION 9.2 Mandatory Prepayment

If any Prepayment Event shall occur and be continuing, the Lender may, by written notice to the Borrower (a) require the Borrower to prepay in full on the date of such notice all principal of and interest on the Loan and all other Obligations (and, in such event, the Borrower agrees to so pay the full unpaid amount of the Loan and all accrued and unpaid interest thereon and all other Obligations).

ARTICLE X MISCELLANEOUS PROVISIONS

SECTION 10.1 Waivers, Amendments, etc.

The provisions of this Agreement and the Loan Documents may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by each party hereto or thereto, as applicable. No failure or delay on the part of the Lender in exercising any power or right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Borrower or the Guarantor in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Lender under this Agreement or

any other Loan Document shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

SECTION 10.2 Notices

All notices and other communications provided to any party hereto under this Agreement shall be in writing or by facsimile or electronic mail and addressed, delivered or transmitted to such party at its address, facsimile number or email address set forth below its signature hereto or such other Loan Document or at such other address, facsimile number or email address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by pre-paid courier service, shall be deemed given when received.

SECTION 10.3 Release of Security

Upon the release, sale, lease, transfer or other disposition of any item of security of the Borrower in accordance with the terms of the Loan Documents, the Lender will, at the Borrower's expense, execute and deliver to the Borrower such documents as the Borrower may reasonably request to evidence the release of such item of collateral from the security interests granted under the Security Documents in accordance with the terms of the Loan Documents.

SECTION 10.4 Payment of Costs and Expenses

Each party agrees to pay its own expenses in connection with the preparation, execution and delivery of, and any amendments, waivers, consents, supplements or other modifications to, this Agreement or any other Loan Document. Except as otherwise provided by Section 10.10.2, the Borrower agrees to reimburse the Lender upon demand for all reasonable out-of-pocket expenses in an aggregate amount exceeding \$250,000 (including reasonable attorneys' fees and legal expenses) incurred by the Lender in connection with (x) the negotiation of any restructuring or "work-out", whether or not consummated, of any Obligations and (y) the enforcement of any Obligations or the rights of the Lender under or in connection with the Loan Documents.

SECTION 10.5 Indemnification

In consideration of the execution and delivery of this Agreement and the other Loan Documents by the Lender, the Borrower hereby indemnifies and holds harmless the Lender and its Affiliates and their respective officers, advisors, directors and employees (collectively, the "Indemnified Parties") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with any investigation, litigation or proceeding or the preparation of a defence in connection therewith), in each case arising out of or in connection with or by reason of this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby or any actual or proposed use of the proceeds of the Loan (collectively, the "Indemnified Liabilities"), except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's gross negligence or wilful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, the Guarantor, any of their respective directors, security holders or creditors, an Indemnified Party or any other person or an Indemnified Party is otherwise a party thereto. Each Indemnified Party shall (a) furnish the Borrower with prompt notice of any action, suit or other claim covered by this Section 10.5, (b) not agree to any settlement or compromise of any such action, suit or claim without the Borrower's prior consent, (c) shall cooperate fully in the Borrower's defence of any such action, suit or other claim (provided, that the Borrower shall reimburse such Indemnified Party for its reasonable out-of-pocket expenses incurred pursuant hereto) and (d) at the Borrower's request, permit the Borrower to assume control of the defence of any such claim, other than regulatory, supervisory or similar investigations, provided that (i) the Borrower acknowledges in writing its obligations to indemnify the Indemnified Party in accordance with the terms herein in connection with such claims, (ii) the Borrower shall keep the Indemnified Party fully informed with respect to the conduct of the defence of such claim, (iii) the Borrower shall consult in good faith with the Indemnified Party (from time to time and before taking any material decision) about the conduct of the defence of such claim, (iv) the Borrower shall conduct the defence of such claim properly and diligently taking into account its own interests and those of the Indemnified Party, (v) the Borrower shall employ counsel reasonably acceptable to the Indemnified Party and at the Borrower's expense, and (vi) the Borrower shall not enter into a settlement with respect to such claim unless either (A) such settlement involves only the payment of a monetary sum, does not include any performance by or an admission of liability or responsibility on the part of the Indemnified Party, and contains a provision unconditionally releasing the Indemnified Party and each other indemnified party from, and holding all such persons harmless, against, all liability in respect of claims by any releasing party or (B) the Indemnified Party provides written consent to such settlement (such consent not to be unreasonably withheld or delayed). Notwithstanding the Borrower's election to assume the defence of such action, the Indemnified Party shall have the right to employ separate counsel and to participate in the defence of such action and the Borrower shall bear the fees, costs and expenses of such separate counsel if (1) the use of counsel chosen by the Borrower to represent the Indemnified Party would present such counsel with an actual or potential conflict of interest, (2) the actual or potential defendants in, or targets of, any such action include both the Borrower and the Indemnified Party, and the Indemnified Party shall have concluded that there may be legal defences available to it which are different from or additional to those available to the Borrower and determined that it is necessary to employ separate counsel in order to pursue such defences (in which case the Borrower shall not have the right to assume the defence of such action on the Indemnified Party's behalf), (3) the Borrower shall not have employed counsel reasonably acceptable to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the institution of such action, or (4) the Borrower authorizes the Indemnified Party to employ separate counsel at the Borrower's expense. The Borrower acknowledges that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Borrower or any of its security holders or creditors for or in connection with the transactions contemplated hereby, except to the extent such liability is determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's negligence or wilful misconduct. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

Without prejudice to the generality of the foregoing, this Section 10.5 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law.

SECTION 10.6 Survival

The obligations of the Borrower under Sections 4.1, 10.4 and 10.5 shall in each case survive any termination of this Agreement and the other Loan Documents and the payment in full of all Obligations. The representations and warranties made by the Borrower in this Agreement shall survive the execution and delivery of this Agreement.

SECTION 10.7 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 10.8 Headings

The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

SECTION 10.9 Execution in Counterparts

This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SECTION 10.10 Governing Law

This Agreement shall in all respects be governed by and interpreted in accordance with English Law.

SECTION 10.11 Arbitration

Any dispute arising in connection with this Agreement (including, but not limited to, any dispute concerning the existence, validity, formation, effect, interpretation, performance or termination of this Agreement) shall be finally settled and resolved by binding arbitration in Singapore in accordance with the Rules of Arbitration of the International Chamber of Commerce for the time being in force, which rules are deemed to be incorporated by reference into this Section. The tribunal shall consist of three arbitrators to be appointed in accordance with the aforesaid Rule. The arbitration proceedings shall be conducted in English and shall take place in Singapore. Any award rendered by the arbitral tribunal shall be final, conclusive and binding upon the Parties. To the extent permitted by law, the Parties irrevocably waive any right to any form of appeal, review or recourse of any rendered award to any state or other judicial authority. Arbitration expenses shall be paid by the losing party or as fixed by the arbitral tribunal. If a party needs to enforce an arbitral award by legal action of any kind, the party against which such legal action is taken shall pay all reasonable costs and expenses and attorneys' fees, including any cost of additional litigation incurred by the party seeking to enforce the award. Judgment upon any award rendered may be entered in any court having jurisdiction.

SECTION 10.12 Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided that:

- (a) the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of the Lender; and
- (b) the Borrower hereby acknowledges and agrees that Lender may, in whole or in part, sell, assign transfer or otherwise dispose of any of its rights under this Agreement and/or the other Loan Documents including without limitation the Lender's rights, titles, interests, remedies, powers and/or duties, without the consent of the Borrower (i) to an Affiliate of Ctrip.com International Ltd., and (ii) to RCL to the extent required by Section 3.4 of the Coordination Deed.

If the Lender assigns or transfers any of its rights or obligations under this Agreement and/or the other Loan Documents under section 10.12(b) and as a result of circumstances existing at the date the assignment or transfer occurs, the Borrower would be obliged to make a payment to the transferee Lender under Section 4.1 then the transferee Lender shall only be entitled to receive payment under those provisions to the same extent as the original Lender would have been entitled to receive if the assignment or transfer had not occurred.

SECTION 10.13 Remedies Cumulative

The remedies provided in each of the Loan Documents are cumulative and are not exclusive and may be enforced severally with any remedy provided in the Loan Documents or any remedy provided by law. All Loan Documents may be enforced severally from one another.

SECTION 10.14 Mortgages and Assignments

For the avoidance of doubt, the provisions of this Agreement are not intended to limit or restrict in any way the provisions of the Existing Vessel Mortgage or the Existing Vessel Assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

EXQUISITE MARINE LTD., as Borrower

By: /s/ Min Fan
Name: Min Fan
Title: Director
Address:

CTRIP INVESTMENT HOLDING LTD., as Lender

By: /s/ Min Fan
Name: Min Fan
Title: Director
Address:
Facsimile No.:
Attention:
With a copy to:

By: /s/ Jane Jie Sun
Name: Jane Jie Sun
Title: Director
Address:
Facsimile No.:
Attention:
With a copy to:

Appendix A
form of Borrowing and Instruction Notice

Ctrip Investment Holding Ltd.
c/o Floor 4, Willow House, Cricket Square, PO Box 2804,
Grand Cayman KY1-1112, Cayman Islands

Attention: Jade Wu

[.]

Secured Credit Agreement — NOTICE OF DRAWDOWN

Gentlemen and Ladies:

This Borrowing and Instruction Notice is delivered to you pursuant to Section 2.2(a) of that certain Secured Credit Agreement, dated as of December 29, 2014 (together with all amendments, if any, from time to time made thereto, the "Agreement"), by and between EXQUISITE MARINE LTD. (the "Borrower") and CTRIP INVESTMENT HOLDING LTD (the "Lender"). Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings provided in the Agreement.

The Borrower hereby requests that a Loan be made in the aggregate principal amount of \$80,000,000 on [INSERT DATE] (the "Advance"). The Borrower hereby instructs that the proceeds of the Loan shall be paid to the following account, as contemplated by Section 4.3 of the Loan Agreement.

[account details]

The Borrower hereby acknowledges that, pursuant to Section 5.1.4 of the Agreement, the delivery of this Borrowing and Instruction Notice constitutes a representation and warranty by the Borrower that, on the date of the Loan (before and after giving effect thereto and to the application of the proceeds therefrom), the statements set forth in Section 5.1.3 of the Agreement are true and correct.

The Borrower has caused this Borrowing and Instruction Notice to be executed and delivered, and the certification and warranties contained herein to be made, by its duly Authorized Officer this day of , 2014.

EXQUISITE MARINE LTD.

By: _____
Name:
Title:

ACKNOWLEDGED BY:

CTRIP.COM (HONG KONG) LIMITED

By: _____
Name: _____
Title: _____

Ctrip.com International, Ltd.
List of Significant Consolidated Entities

Significant Subsidiaries*

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

Significant Affiliated Chinese Entities*

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 International Travel Agency Co., Ltd. (formerly 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., a PRC company
Chengdu Ctrip International Travel Service co., Ltd., a PRC company
Ctrip Insurance Agency Co., Ltd., a PRC company

* 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.

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

I, James Jianzhang Liang, 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: April 27, 2015

By: /s/ James Jianzhang Liang
Name: James Jianzhang Liang
Title: Chief Executive Officer

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

I, Xiaofan Wang, 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: April 27, 2015

By: /s/Xiaofan Wang

Name: Xiaofan Wang

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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Jianzhang Liang, 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: April 27, 2015

By: /s/ James Jianzhang Liang

Name: James Jianzhang Liang

Title: 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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xiaofan Wang, 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: April 27, 2015

By: /s/Xiaofan Wang

Name: Xiaofan Wang

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

April 27, 2015

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, 2014, which will be filed with the Securities and Exchange Commission in the month of April 2015.

Yours faithfully,

/s/ Maples and Calder

Maples and Calder

[Letterhead of Commerce & Finance Law Offices]

April 27, 2015

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, 2014, which will be filed with the Securities and Exchange Commission in the month of April 2015, and further consent to the incorporation by reference of the summaries of our opinions under these captions into Ctrip.com International, Ltd.’s registration statements on Form S-8 (No.333-116567, No. 333-136264 and No. 333-146761) that were filed on June 17, 2004, August 3, 2006 and October 17, 2007, respectively.

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. 333-116567, No. 333-136264, and No. 333-146761) of Ctrip.com International, Ltd. of our report dated April 27, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
April 27, 2015

普华永道中天会计师事务所(普通合伙)
*PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com*
