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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the second quarter 2009 Ctrip.com International, Ltd. earnings conference call. My name is Christa and I'll be your conference operator for today's call.

At this time, all participants' lines are muted, but we will conduct a question and answer session towards the end of this call. (Operator Instructions).

I will now turn the call over to your host, Ms. Jade Wei, Senior Manager of Investor Relations for Ctrip. Please proceed, ma'am.

Jade Wei *Ctrip.com International Ltd. - Senior IR Manager*

Thank you, Christa. Thank you everyone for attending Ctrip's second quarter 2009 earnings conference call. Joining me on the call today, we have Mr. James Liang, Chairman of the Board. Mr. Min Fan, Chief Executive Officer. And Ms. Jane Sun, Chief Financial Officer.

We may, during this call, discuss our future outlook and performance, which are forward-looking statements made under the Safe Harbor provision of the US Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve inherent risks and uncertainties. As such, our results may be materially different from the views expressed today.

A number of potential risks and uncertainties are outlined in Ctrip's public filings with the Securities and Exchange Commission. Ctrip does not undertake any obligation to update any forward-looking statements except under applicable law.

Min, James and Jane will provide business updates, industry outlook and financial highlights for the second quarter of 2009, as well as outlook for the third quarter. We will also have a Q&A session towards the end of this call.

With that, I will turn to Min for our business update.



Min Fan Ctrip.com International Ltd. - CEO

Thanks, Jane, and thank you to everyone for joining us today on the call. We're proud that our team delivered strong results in the second quarter of 2009. In Q2, our net revenues grew 27% year-over-year and net income grew 33% year-over-year. We consolidated ezTravel's financial statement during this quarter.

Excluding net revenues attributable to ezTravel, our net revenues grew 21% year-over-year and net income grew 32% year-over-year.

We're very excited about the opportunity to work with ezTravel more closely going forward. With this strategic partnership, we'll be able to leverage both of our resources and provide our customers the best package tour service across the street in the future.

Our hotel supply network continued to expand at a rapid pace with approximately 8,900 hotels by the end of June 2009, compared to approximately 7,000 by the same period last year. The number of our hotels with guaranteed allotment rooms further increased and accounted for approximately 70% of the total supply.

By the end of the second quarter of 2009, Ctrip has reached to 7.5m active customers, compared to 5m by the same period of last year. During Q2, Ctrip has launched a new service called Ctrip Emergency Support. This service leverages our extensive network in China. And our seamless operations system provides a nationwide assistance to our customers during emergencies when they travel with Ctrip. Along with our National Disaster Relief Fund and other quality-guaranteed programs, we're committed to excel our customer experience.

Ctrip is the first travel agency who released its own service standards of packaged tours. It differentiates ourselves from other agencies by disclosing transparent information of accommodations, itineraries and itinerants and shopping arrangements.

Ctrip is dedicated to best protect customers' rights and interests. In Q2, Ctrip initiated a campaign called Late Checkout, which allows our customers to have more flexibility when they stay with more than 800 Ctrip-selected hotels.

Our hotel partners and customers have both responded to the campaign positively. And this campaign helps our hotel partners promote their services and bring our customers the best values.

In Q2, we launched a new channel called AirPlus Hotel, which enables customers to combine air tickets booking and hotel booking together to get lower prices. This system enriched product selection for our leisure charters and provides more efficient cross-sell opportunity for our future revenues growth as well.

Looking forward, our team will keep up and continue to deliver excellent values to our customers, partners and investors.

Now I will turn to James for industry outlook.

James Liang Ctrip.com International Ltd. - Chairman

Thanks Min. We are seeing early signs of recovery in the economy in China. Although there is some uncertainty in the near term, we believe from long-term perspective, the fundamentals are healthy for the growth of Chinese economy. Business travel will be supported by increasing domestic consumption investment. And leisure travel will also increase as personal income increases in the long run.

Ctrip is going to benefit from the growth of overall travel industry. Year 2009 is our 10th anniversary. We are pleased for what we have achieved. However, we believe it is more important for us to focus on the future. We'll continuously strengthen our leadership in existing businesses and will grow prudently and strategically into new areas with our partners, customers and employees.

This is a exciting moment for China travel industry and we are well-positioned to start a new era of Ctrip in the coming 10 years. Now let me turn to Jane for the update on financial performance.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks James. I'm very pleased to report the solid results in the second quarter of 2009.

Net revenues were CNY476m or \$70m for the second quarter of 2009, up 27% year-over-year.

During the second quarter of 2009, Ctrip consolidated the financial statements of ezTravel, a Taiwan based online travel service provider. Excluding net revenues attributable to ezTravel, Ctrip's net revenues were CNY453m or \$66m, up 21% year-on-year.

Hotel reservation revenues amounted to CNY227m or \$33m for the second quarter of 2009, representing a 16% increase year-on-year, and a 21% increase quarter-on-quarter. Excluding revenues attributable to ezTravel, Ctrip's hotel reservation revenues were CNY223m or \$33m, representing a 14% increase year-on-year, primarily driven by a 26% increase in hotel reservation volume, which was partially offset by a decrease in commission per room. Excluding revenue attributable to ezTravel, Ctrip's hotel reservation revenues increased by 19% quarter-on-quarter, primarily driven by a 24% increase in hotel room reservation volume, which was partially offset by a decrease in commission per room.

Air-ticketing revenues for the second quarter of 2009 were CNY222m or \$33m, representing a 32% increase year-on-year, and a 20% increase quarter-on-quarter. Excluding revenues attributable to ezTravel, Ctrip's air-ticketing revenues were CNY215m or \$31m for the second quarter of 2009, representing a 27% increase year-on-year, primarily driven by a 42% increase in air-ticketing sales volume, which was partially offset by a decrease in commission per ticket. Excluding revenue attributable to ezTravel, Ctrip's air-ticketing revenues grew 17% quarter-on-quarter, primarily driven by increases in air-ticketing sales volumes and commission per ticket.

Packaged-tour revenue for the second quarter of 2009 were CNY36m or \$5m, representing a 51% increase year-on-year, and a 5% decrease quarter-on-quarter. Excluding revenue attributable to ezTravel, Ctrip's packaged-tour revenue for the second quarter of 2009 increased by 13% year-on-year, due to the increase in the leisure travel volume. Excluding revenue attributable to ezTravel, Ctrip's packaged-tour revenue decreased by 28% quarter-on-quarter, primarily due to the impact of H1N1 flu and the seasonality of leisure travel.

Gross margin was 77% in the second quarter of 2009, compared to 79% in the same period in 2008 and 78% in the previous quarter.

Products development expenses for the second quarter of 2009 increased by 34% to CNY76m or \$11m from the same period in 2008, and by 20% from the previous quarter, primarily due to the increase in product development personnel. Excluding share-based compensation charges, product development expenses accounted for 14% of net revenue, compared to 13% in the same period of last year and 14% in the previous quarter.

Sales and marketing expenses for the second quarter of 2009 increased by 21% to CNY83m or \$12m from the same period in 2008 and by 17% from the previous quarter, primarily due to the increase in sales and marketing activities and personnel. Excluding share-based compensation charges, sales and marketing expenses accounted for 17% of net revenues, which was consistent with that in the same period last year and in previous quarter.

General and administrative expenses for the second quarter of 2009 increased by 6% to CNY45m or \$7m from the same period in 2008 and 10% from the previous quarter, primarily due to the increase in personnel. Excluding share-based compensation charges, general and administrative expenses accounted for 6% of the net revenue, which was consistent with that in the same period last year and in the previous quarter.

Income from operations for the second quarter of 2009 was CNY164m or \$24m, representing a 29% increase from the same period in 2008 and a 21% increase from the previous quarter. Excluding share-based compensation charges, income from operations was CNY191m or \$28m, representing a 20% increase from the same period in 2008 and an 18% increase from the previous quarter.

Operating margin was 34% in the second quarter of 2009, remaining consistent with the second quarter of 2008 and that of the previous quarter. Excluding share-based compensation charges, operating margin was 40% in the second quarter of 2009 compared to 42% in the

second quarter of 2008, and remained consistent with that in the previous quarter.

Net income attributable to Ctrip's shareholders for the second quarter of 2009 was CNY159m or \$23m, representing a 33% increase from the same period in 2008, and a 31% increase from the previous quarter. Net income attributable to Ctrip's shareholders for the current quarter includes equity income of CNY7m or \$1m from the Home Inns investment, which represents proportional equity pickup of its results of operations from the third quarter of 2008 through the first quarter of 2009, as required by applicable accounting guidelines. Excluding share-based compensation charges, net income attributable to Ctrip's shareholders were CNY186m or \$27m, representing a 23% increase from the same period in 2008, and a 25% increase from the previous quarter.

The effective tax rate for the second quarter of 2009 decreased to 18%, compared to 26% in the same period of 2008 due to the application of the High and the New Technology Enterprise preferential tax treatment to certain of Ctrip's PRC subsidiaries. The effective tax rate for the second quarter of 2009 remained consistent with that in the previous quarter.

Diluted earnings per ADS were CNY2.27 or \$0.33 for the second quarter of 2009. Excluding share-based compensation charges, diluted earnings per ADS were CNY2.66 or \$0.39.

As of June 30, 2009, the balance of cash and short-term investment was CNY1.2b or \$182m.

For the third quarter of 2009, Ctrip expects to continue the year-on-year net revenue growth of approximately 25%. This forecast reflects Ctrip's current and preliminary view, which is subject to change.

With that, Operator, we are open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Your first question comes from the line of Catherine Leung with Citigroup. Please proceed.

Catherine Leung Citigroup - Analyst

Hi, morning. Congratulations on the strong result. Two questions. The first one is, can you please update us on your margin outlook for the second half of '09 and whether you plan to increase your cost base in terms of call center, product development and marketing spend more materially, as the market demand has been coming back?

And second question is on Home Inns. As you mentioned, you had included your proportionate share of their third quarter '08 through first quarter '09 earnings as equity income, rather than of their second quarter '09 earnings. Can you please elaborate more on this accounting? Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Let me address the first question first. First of all, our Company controls the costs very tightly. Normally we will not allow expense to grow faster than the revenue. So gross margin at the current level is very stabilized. For the second half of the year, we expect the gross margin to be somewhere around 76% to 78%, within that range. Operating margin should also be stabilized at around 38% to 40%, excluding share-based compensation charges.

And then on your second question, on Home Inns, let me address the accounting treatment in five steps.

First of all, before Q2 2009, we used cost-accounting method because our shareholding was below 10%. Secondly, starting in Q2, we increased our shareholding in Home Inns. And therefore, we have to use equity method to pick up the income from Home Inns results.

And thirdly, because Home Inns' financial statements may not be available before we release our earnings, we elected to use one quarter lag



method to pick up their net income, as permitted by APB18. And fourthly, for the current quarter, we therefore pick up the prior period's earnings, which amounts to CNY7m from the third quarter of 2008, which is the first time we got Home Inns shares. And we pick up all the earnings up until last quarter, which was Q1 2009. And lastly, going forward, we will continuously and consistently use one quarter lag method to pick up Home Inns' equity income. So we will pick up their Q2 results in our Q3 financials. I hope that helps.

Catherine Leung Citigroup - Analyst

Yes, that's very clear. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thank you.

Operator

Your next question comes from the line of Aaron Kessler with Kaufman. Please proceed.

Aaron Kessler Kaufman Brothers - Analyst

Thanks, Jane. A couple questions. First, on the pricing. Maybe you can just update us on like the pricing and the commissions in Q2 for both air and hotels, and the outlook for Q3.

And also, just on the guidance for Q3, it looks like it implies a sequential decline from Q2 to Q3. Just wondering if that's conservatism or are you seeing something in the marketplace that makes you a little more cautious on Q3 guidance? Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. On the pricing, for hotel business in Q2, the price drop is somewhere around 10%. And air tickets, the price drop is also approximately 10% drop on a year-over-year basis. On a quarter-over-quarter basis, it's very stabilized.

On the guidance, I think 25% guidance is a conservative guidance. We still remain prudent and to monitor the progress on H1N1 flu. And also we have no control on the general economy. But hopefully, we'll see the market be stabilized and the China travel industry being stabilized. But you're right, the 25% guidance is a conservative guidance.

Aaron Kessler Kaufman Brothers - Analyst

Great. Thank you, Jane.

Jane Sun Ctrip.com International Ltd. - CFO

Sure, thank you.

Operator

Your next question comes from the line of Wendy Huang with RBS. Please proceed.

Wendy Huang Royal Bank of Scotland - Analyst

Hi. Good morning. Thanks for taking my questions. I have two questions. First is mainly regarding your ezTravel stake. When did you increase that -- your stake in the ezTravel and what is your current stake in that business?

And also, actually Taiwan Travel was opening things last year. Why did you see a significant pickup, especially in Q2 '09?

And excluding the Taiwan business contribution, what kind of organic growth, area growth, actually you implied in your third quarter '09 guidance. And I have another question. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. The ezTravel, we increased our stake in Q2 2009. That's the reason we started to consolidate ezTravel's financials into our financials, starting Q2 2009. I think the travel restriction is being lifted and both governments are working very closely to open up the strait to the

people from Mainland to Taiwan and from Taiwan to Mainland China. So we look at it as a good opportunity so that people can travel freely and they go to see many places. And there will be a lot of direct flights in between Mainland China and Taiwan, which will be positive for the travel industry. So by aligning ourselves with ezTravel, we hope both teams can service the customers on both sides very well and to increase the comprehensiveness of our products and offer very good products to the customer in both Mainland and Taiwan.

Wendy Huang Royal Bank of Scotland - Analyst

So in Q2 '09, ez contributed CNY23m to the revenue. Excluding the ez's contribution, what kind of organic growth actually you implied for Q3 '09?

Jane Sun Ctrip.com International Ltd. - CFO

Oh sure. I think as we disclosed in our press release for Q2, excluding ezTravel's contribution, our organic growth was about 21% year-over-year. In Q3, in our guidance, ezTravel probably amount 25%. They can -- they represent about 5%.

Wendy Huang Royal Bank of Scotland - Analyst

My second question is regarding your hotel business. And this is another quarter that we see the sequential decline in the hotel room rate. And the current rate is probably around CNY63 per night. Should we see this as the bottom since that we have some initial signs of economic recovery in the travel --

Jane Sun Ctrip.com International Ltd. - CFO

Wendy, your last part of your question was unclear. Do you mind repeating it?

Wendy Huang Royal Bank of Scotland - Analyst

Sure. I'm just trying to get a sense whether this quarter's hotel room rate is actually the bottom because this quarter we see another quarter of sequential decline. But meanwhile, we have seen a strong pickup in the hotel volume and also the initial sign of economic recovery.

Min Fan Ctrip.com International Ltd. - CEO

Yes, I think the -- for the hotel side, the room rate -- average room rates in the first Q of this year, probably hit the history lower in the -- well in 10 years. And in the Q2 still, we see the hotel room rates, if you compare this year and last year, still you see the decrease. So for the Q3, we hope total economic situation can be stabilized and we hope the hotel room rate can be stabilized. But I think still it's up to the macroeconomic situation. And so far, we did not see very strong pickup.

Wendy Huang Royal Bank of Scotland - Analyst

Okay. Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thank you.

Operator

Your next question comes from the line of Mike Olson with Piper Jaffray. Please proceed.

Mike Olson Piper Jaffray - Analyst

All right, thanks. Good morning, Jane. This was a strong quarter no matter how you place it. But I just want to be crystal clear. Did the original guidance of 10% to 15% growth that you had for Q2 include or exclude ezTravel revenue?

Jane Sun Ctrip.com International Ltd. - CFO

Excluding ezTravel revenue.



Mike Olson Piper Jaffray - Analyst

Okay. And then secondly, what are you anticipating for hotel and air-ticket pricing in Q3, year-over-year and sequential basis?

Jane Sun Ctrip.com International Ltd. - CFO

I think on a sequential basis, hotel price probably is stabilizing. As Wendy indicated, the volume is increasing. We haven't seen a further decrease from Q2 to Q3. So sequential basis, hotel is stabilizing.

On the air-ticketing price, July was a little bit better than June. But August, it's too early to tell, so we are monitoring them very carefully.

Mike Olson Piper Jaffray - Analyst

Okay. So you anticipate maybe air tickets up, at least sequentially.

Jane Sun Ctrip.com International Ltd. - CFO

For July, it was a little bit increasing. But August, it's too early to tell yet, so --

Mike Olson Piper Jaffray - Analyst

Okay. Thanks a lot.

Jane Sun Ctrip.com International Ltd. - CFO

Sure, thank you.

Operator

Your next question comes from the line of Richard Ji with Morgan Stanley. Please proceed.

Richard Ji Morgan Stanley - Analyst

Hi, James, Ming, Jane. And, morning.

Jane Sun Ctrip.com International Ltd. - CFO

Morning.

Richard Ji Morgan Stanley - Analyst

Two questions. Hi. First question is regarding your hotel segment. Can you provide us with some breakdown, between the budget hotel and also your high-end star-rated hotel? And what is the, roughly, revenue breakdown over there? And also, I'm just curious about whether you have seen increasing room contribution from Home Inns. And more importantly, as the economy starts to stabilize and also show sign of recovery, have you seen your customers start to trade up to high-end hotels? And I have a follow-up.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. If you look at our revenue pool, I think our revenue are fairly evenly split between different stars of hotel, five star, four star, three star hotel and budget hotel. We do not have revenue concentration in one segment versus another. So it's fairly evenly spread out.

In terms of the growth rate, I think the second tier cities represents a fairly strong growth compared to first tier cities. First tier cities are very international. And as the inbound travelers are decreasing their travel volume, these hotels got hit the most. But if you move further inland to the second and third tier cities, these cities are mainly relying on domestic spending and therefore their volume is holding very strong. So that's what happened so far.

And Home Inn, our revenue contribution, it's very insignificant in terms of our revenue pool, so haven't seen too, too much changes one way or the other.

Richard Ji Morgan Stanley - Analyst

Okay. Thank you. And the second is regarding your packaged-tour business. Obviously in the past quarter it was somewhat impacted by the epidemic. And just curious about the current development. And have you seen a recovery in the packaged-tour business, especially given 3Q is a seasonally -- typically seasonally strong for leisure travel.

Min Fan Ctrip.com International Ltd. - CEO

Yes. We can see that (inaudible) the other businesses have an impact by the H1N1 flu. And so normally during the autumn season it's time -- high time for those rich people or for those white collar to go abroad. But this time, we see the significant decrease.

And so far I think the -- according to the general data of the industry, most of the travel industries face the decrease of the total travel revenue, even in this normal high season, this summertime. So we -- in our data you can see we still get some growth. But still I think for this summer, it's not very strong demands in terms of the long-haul travel. And also, for long-haul travel, it will be also impacted by the macroeconomical situation. So we did not see very strong demand and growth during this quarter.

And for the coming months, I think after July and August, normally it's the seasonal -- low season.

Richard Ji Morgan Stanley - Analyst

Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks.

Operator

Your next question comes from the line of Echo Ho with Oppenheimer. Please proceed.

Paul Keung Oppenheimer - Analyst

Hi. It's Paul Keung. Good morning.

Min Fan Ctrip.com International Ltd. - CEO

Good morning.

Paul Keung Oppenheimer - Analyst

Looking at your travel volume growth this quarter and compared with the competition, it looks like you've managed to maintain a decent growth in gross assets than the competition. And when we dig it further, it looks like a lot of it has to do with your ability to generate new customers at a faster pace than what the market seems. I'm just curious which -- how you're effectively gaining share and gaining the new customers. Is it -- do you think it's a combination of -- is it better marketing? Is it Tier 2 city? Is it the corporate customers? Can you give me some more color in terms of where you gain those new customers that the others can't seem to obtain?

Min Fan Ctrip.com International Ltd. - CEO

In first quarter, we still see we're very diligent to acquire new customers. And I think it's mainly because we have very effective marketing channels. And also we have very strong sales coverage, nationwide. So that's why we still maintain high growth in acquiring new customers.

I think we are getting new customers from the existing travel agencies, as well as the -- those new customers, they -- leisure travels -- leisure products. And as you can see, we gained more and more leisure customers during our growth.



Paul Keung Oppenheimer - Analyst

Okay. And my other question has to do with the competitive landscape. A lot of these small agencies have actually struggled despite the recovery in travel. So I was curious, going forward, and I think the multiple expectations had declined significantly. And I was curious if you think you'll see more ezTravel type acquisitions going forward or you think it's pretty easy just to gain share, not having to do any acquisition at all?

Jane Sun Ctrip.com International Ltd. - CFO

I think we normally look at our strategy from our internal growth perspective. Organic growth is always our focus. But we're also very open if a good opportunity comes around.

Paul Keung Oppenheimer - Analyst

Okay. Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

Your next question comes from the line of James Lee with Sterne, Agee. Please proceed.

James Lee Sterne Agee - Analyst

Thanks for taking my question. I just want to follow up on your business activities in third quarter in general. Is there any way we can get some idea, in terms of what is the volume in the month of July for both hotels and air travel?

And we also heard that there might be some travel restriction heading to the PRC's 60th birthday in October. And I just want to get a sense what the prediction might be from your perspective and how that may impact your business. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. For July I think, based on our visibility, it's very much in line with our guidance. Hotel business probably will grow about 10% to 15% which is embedded by volume growth around 20% to 25%, partially offset by the price drop on the year-over-year basis by 10%. And for Air Ticket revenue increase, it's somewhere around 30% to 35%. That assumes the volume increase is around 25% to 30%. For Packaged Tour, that is we assume if we include ezTravel, that's about around 50% increase. So it's very much -- the volume is in line with our guidance.

Regarding the travel restrictions, we haven't heard anything yet, but we will monitor it very carefully.

James Lee Sterne Agee - Analyst

All right. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks.

Operator

Your next question comes from the line of Marisa Ho with Credit Suisse. Please proceed.

Marisa Ho Credit Suisse - Analyst

Hello. Congratulations on a great set of results. I have a couple of follow-up questions on the last question. For example, looking at your Hotel and also Air Ticketing volume guidance for the first quarter, do these actually include ezTravel or excluding ezTravel?

Jane Sun Ctrip.com International Ltd. - CFO

Yes. Well our guidance going forward will include ezTravel since we started to consolidate their financials.



Marisa Ho Credit Suisse - Analyst

Right. And for the Air Ticketing ASP, would it be realistic to expect the ASP decline to start to moderate because of the base effect going forward?

Jane Sun Ctrip.com International Ltd. - CFO

At least in July the price is stabilizing on a sequential basis. It's a little bit better. But on a year-over-year basis there is no increase for sure. Probably for July, specifically that month, it's very stabilized on a year-over-year basis. But August it's too early to tell. We still have to monitor it very carefully.

Marisa Ho Credit Suisse - Analyst

Right. Then does that mean that if you're looking for Air Ticketing revenue to grow by 30% to 35% year-on-year, and always with the volume growing about 25% to 30%, it's probably building in too much ASP decline?

Jane Sun Ctrip.com International Ltd. - CFO

Yes. The ASP decline we want to be careful because we do not have any control on ASP. In terms of volume, based on our strong execution, we can grow our volume based on our quality and coverage. So ASP we normally remain very prudent when we give guidance.

Marisa Ho Credit Suisse - Analyst

Right. Okay. And I also have a couple of other, smaller questions. And the first one is looking at the increase in other income on a sequential basis, is there any particular reason to expect the other income to remain pretty high into the second half of this year, or is it just a particular spike up in the second quarter?

Jane Sun Ctrip.com International Ltd. - CFO

The other income mainly represents the government subsidy. And we obviously will do our best to apply for as much as possible. But the amount of the subsidy and the timing when we can get the subsidy is very much depending on government's authority. So therefore we only book other income on a cash basis. In Q2 it's higher than our expectation. So we do not expect a significant other income for the remainder of the year. Pretty much what we can get we already got in Q2.

Marisa Ho Credit Suisse - Analyst

Right. And for the share based compensation, I remember in the past you were guiding that it would be roughly about 8% of the net revenue. Is this guidance still holding up into the rest of this year and also into 2010?

Jane Sun Ctrip.com International Ltd. - CFO

Yes, I think so.

Marisa Ho Credit Suisse - Analyst

Right. And a final question about the tax. Is it realistic to expect the tax rate to remain at the low 20% going into 2010?

Jane Sun Ctrip.com International Ltd. - CFO

Yes. That's reasonable to expect.

Marisa Ho Credit Suisse - Analyst

Okay, excellent. Thank you very much.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Thank you.

Operator

Your next question comes from the line of Candy Huang with Nomura. Please proceed.



Candy Huang Nomura - Analyst

Hi. Morning. I've got I think now two questions. First about your guidance of 24% excluding ezTravel's 5%. Can you elaborate more of the -- how you come to the 20% organic growth of volume and ASP?

And second is about the Hotel seasonality in the second quarter, because second quarter tend to be a high season compared with the first quarter. So I just wonder, looking at the other hotels, sequentially ASP room rate is increasing. But I think you mentioned that sequentially you still see the hotel room rate is stabilizing. So I just wondered whether you initiated or have to launch more promotions in Hotels that you help your customer to book. Thanks.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks Candy. First of all the guidance of 25% includes ezTravel's number already. And going forward we will always include their number because now we consolidate the financials of this entity.

So 25% year-over-year growth assumes a revenue growth from Hotel between 10% to 15%. And Air Tickets around 30% to 35%. And Travel somewhere around 50%. So that's our assumption.

Secondly our Hotel business, I think in terms of volume, Q2 is much stronger than Q1. In terms of the pricing we still see year-over-year decline by about 10%. However, on the sequential basis it's very stabilized. We worked very hard with the hotels to have creative campaign to stimulate the demand from the customer. So we have very special campaigns at different times and different region. These helps us to increase the volume during the quarter.

Candy Huang Nomura - Analyst

Thanks, okay. And the (inaudible) on ASP for the third quarter is Hotel and Air Ticket.

Jane Sun Ctrip.com International Ltd. - CFO

Yes. For the third quarter we are only one month into the quarter. And so far the hotel price has not rebounded. But on a sequential basis it's stabilizing.

On Air Ticket price, on July price was a little better than June number. But August it's too early to tell.

Candy Huang Nomura - Analyst

So can we assume like 10% year-on-year decline for third quarter, or do you think it's conservative?

Jane Sun Ctrip.com International Ltd. - CFO

10% decline year-on-year for Hotel is what we are seeing right now. For Air Ticket probably a little less than 10% decline. But we still have to monitor it, because Air Ticket fluctuates from month to month.

Candy Huang Nomura - Analyst

Okay, thanks.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Thank you.

Operator

Your next question comes from the line of Chun Ming Zhao with SIG. Please proceed.



Chun Ming Zhao SIG - Analyst

Thank you for taking my questions. Good morning. The first question, Jane can you tell us your consolidation of ezTravel, did that occur at the beginning of second quarter? And if you could -- what's your stake in that company?

And the [CNY1.7m] minority interest, is that all from the ezTravel business?

Jane Sun Ctrip.com International Ltd. - CFO

Yes. We started to consolidate ezTravel in Q2 and the minority investment mainly from ezTravel.

Chun Ming Zhao SIG - Analyst

Okay. So we can't calculate the interest contribution from ezTravel basically?

Jane Sun Ctrip.com International Ltd. - CFO

Yes. The amount contributed by ezTravel was very minimal compared to our overall financials. It's insignificant.

Chun Ming Zhao SIG - Analyst

Okay. And my second question is, Jane can you talk a little bit about the macro picture in China and what's your view on that. And what would be the impact on the business in the second half this year?

Min Fan Ctrip.com International Ltd. - CEO

For the macro economy, I think recently in China we do see some sign of the rebound in the real estate business and also in some industries. I think for the travel it's picking up in some first tier cities. While in the second tier cities still -- in fact second tier cities were not very much impacted by the swine flu.

So according to our travel data, the market can be picked up a little bit in Q3. Also you can see the air fare prices rebound a little bit. This is the effect of the anticipation of the overall -- the market little bit rebound. But still I think for the overall situation, right now we still cannot tell very clearly. And we still need to monitor very carefully.

Chun Ming Zhao SIG - Analyst

Okay. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks Ming.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

Your next question comes from the line of Cathy Chen with Goldman Sachs. Please proceed.

Cathy Chen Goldman Sachs - Analyst

Hi. Thanks for the call. I've a quick follow up regarding the Air pricing side. Can you comment about recent news flow that the government may reinstate fuel surcharges. Can you confirm whether this is true and whether it has been reflected in your third quarter guidance?

Secondly could you give us an update on the mix between corporate versus leisure during the quarter? And whether there were any special promotions done during the quarter particularly on the leisure side. Thanks.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Regarding your question on fuel surcharge, actually we do not get a commission on fuel surcharges. So whether or not the government imposes a fuel surcharge should not impact our business significantly. And also the majority of our travelers are business travelers. So if they

need to travel they will travel. They're not going to delay their trip just because the government has \$50 or \$100 -- renminbi surcharge. So that should have very small impact on our business.

Regarding the split, leisure versus business, somewhere around 70% to 80% are business travelers and the rest are the leisure travelers. And we continuously believe that as the income level of Chinese consumers increases, the leisure travel will become more and more important in the business composition. So our product is very much going to be designed and tailored for the demand of the leisure travelers. And that's going to represent a new increasing point for our business.

Cathy Chen Goldman Sachs - Analyst

Okay. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Thanks Cathy.

Operator

Your next question comes from the line of Damien Horth with UBS. Please proceed.

Damien Horth UBS - Analyst

Good morning. Thanks for the call guys. Just a quick comment -- a quick question on your guidance. You said that July you stayed roughly flat year-on-year pricing with volume at 30%. That would imply that your volume growth is slowing down from some 40% in the second quarter. Is that reflective of the market or is that something to do with the price (technical difficulty) -- price last year was very distorted.

Jane Sun Ctrip.com International Ltd. - CFO

I think the market data for July is not out yet. Our execution remained to be very strong. We are very quickly gaining market share. I think in terms of absolute increased share, ticket number, on a year-over-year basis it's growing very strongly. In terms of percentage, because our base is growing bigger, so mathematically it will -- the curve will flat a little bit. But our execution, market share gain pace has not slowed down at all.

Damien Horth UBS - Analyst

So you think it's a function of a higher base.

Jane Sun Ctrip.com International Ltd. - CFO

I'm sorry?

Damien Horth UBS - Analyst

So you think it's a function of a higher base?

Jane Sun Ctrip.com International Ltd. - CFO

Yes. High base is the main reason. That's correct.

Damien Horth UBS - Analyst

But have you seen any signs -- just with the -- I remember Q3 last year was quite distorted by the travel restrictions around the Olympics. You haven't seen a big rebound of that sort of theoretically low number?

Jane Sun Ctrip.com International Ltd. - CFO

In terms of absolute additions to the ticket, the absolute tickets is larger than the previous years, than the previous quarters. But in terms of percentage, again I think the base is getting bigger. That's the reason.

Damien Horth UBS - Analyst

Okay. Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure, thanks.

Operator

Your next question comes from the line of Eddie Leung with Banc of America. Please proceed.

Eddie Leung Banc of America Securities - Analyst

Good morning guys. I have a couple of questions. The first one is, how do you guys evaluate the potential impact from a potential consolidation of airlines, in particular on the commission rates side. And what are things you can do to mitigate the risk?

James Liang Ctrip.com International Ltd. - Chairman

The recent consolidation or the merge between the airlines I think, if a certain level of consolidation is healthy for the overall airline industry, it will be also good for the overall business as well. If you're talking about the Eastern Airlines, Shanghai Airlines in fact they -- as we know, this will help both airlines to decrease their costs and increase their efficiencies. And I think, with the more healthy competition situation, we do not see any significant impact from this merger at this point. Of course we will still monitor the progress very closely.

Eddie Leung Banc of America Securities - Analyst

So, so far there has not been any sign that that will impact the commission rate structure for distributors, right?

James Liang Ctrip.com International Ltd. - Chairman

So far there, no.

Eddie Leung Banc of America Securities - Analyst

Okay. Thanks.

And the second question is on the new products that you mentioned. You guys mentioned that there has been some promotion on the Air Plus Hotel package that will offer lower prices. Do you have to take inventory risk for this product?

Min Fan Ctrip.com International Ltd. - CEO

No, no. We do this Air Plus Hotel model, it's quite similar to the -- quite similar as what the US counterparts they are doing. It's more dynamic packages than before. So this will give more values to our customers.

And also, as you know, this year most of hotels were -- especially those high-end hotels were impacted very heavily by the swine flu and by the financial crisis. So quite some hotels they are willing to work closely with Ctrip. So that's why we can provide more value to our customers and also to promote the hotels business.

Eddie Leung Banc of America Securities - Analyst

Thank you very much. That's very helpful. Thank you guys.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks Eddie.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

Your next question comes from the line of Elinor Leung with CLSA. Please proceed.



Elinor Leung CLSA - Analyst

Hi. Thank you for the call. And I have two questions. The first question is regarding ezTravel. What is your stake in ezTravel now and what do you think is the long term contribution of ezTravel to your business?

Second question is regarding the swine flu. You talked about it had a big impact on you package tour or leisure tour. But I didn't see any impact on your business travel. Is there any particular reason for that? And for the long term should we still concern about this?

Min Fan Ctrip.com International Ltd. - CEO

I will respond to your second question. And I think for the swine flu, it definitely will impact the urban travel and impact the long haul travel in quite significant ways. But for business travelers, especially most of our business domestic travelers, domestic business travelers. So they are not -- they will not be impacted heavily by swine flu. And, as you know, in China the government has very strict control to prevent swine flu. So we don't think this situation will be worsened, will be so severe as we encounter only this year. So we anticipate there will be -- so far what we can see -- foresee, there will be no very severe situation for swine flu.

Jane Sun Ctrip.com International Ltd. - CFO

And your first question on ezTravel, I think the alliance with ezTravel, from a strategic perspective, is very important for us because the Strait has been closed for the past 60 years. And now the government worked very closely to make sure the travel restrictions are very prudently being lifted. So we are positive on that.

We believe that people in Mainland China have shown -- will show a lot of interest in traveling to Taiwan. And therefore our ezTravel partner will be able to utilize their strength and our resources to help our team to provide a great product to the Mainland travelers. And reverse is the same. Ctrip has very comprehensive products. So we will be able to help ezTravel to provide good selection of the products. So, from a strategic perspective, the alliance will add a lot of value to our customers and partners and our shareholders.

From a financial perspective, because ezTravel relatively is smaller, much smaller than our scale, so the financial impact is immaterial to overall our financial position.

Elinor Leung CLSA - Analyst

Thanks.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks.

Operator

Your next question comes from the line of [Chris Zee] with BNP. Please proceed.

Chris Zee BNP Paribas - Analyst

Morning. This is Chris. First of all congratulations on the very strong set of results. I just have several very quick follow up questions pertaining to ezTravel. First of all you have provided the numbers on the revenue contributions from ezTravel. But on the operating profit line, is it profit making contribution or is it breakeven? Can you give us a bit more color on this one?

Jane Sun Ctrip.com International Ltd. - CFO

Sure. I think they're profitable. Their margin, they didn't have significant impact on our financials. So we were able to maintain a very consistent gross margin as well as operating margin even we consolidate the ezTravel's financials. So not significant impact on our business.

Chris Zee BNP Paribas - Analyst

Okay. I see. I just wanted to understand a little bit about the operational side with the ezTravel. So is it a fair comment to say, for example, from China outbound to Taiwan it will be -- people would be booking through Ctrip, whereas people coming from Taiwan, outbound from Taiwan into China will be using ezTravel. Is that the way to think about this kind of relationship?



Min Fan Ctrip.com International Ltd. - CEO

Yes. As you know, by partnering with ezTravel we can book outbound to Taiwan packages for our customers. And ezTravel will be the local ground operator for Ctrip to provide best service. And as you may know ezTravel is the largest online travel service provider in Taiwan and one of the major travel players in Taiwan. So we are very confident that ezTravel can provide very good service to our customers.

And in the meantime ezTravel they can also enrich their product offering to their customers in Taiwan. And they can use Ctrip's hotels and air flights for their customers. So I think this is a win-win situation for ezTravel and Ctrip.

Chris Zee BNP Paribas - Analyst

Okay. Thanks for that. I just have one last follow up also with ezTravel. Because you are consolidating ezTravel into your P&L and financial statements, for the commissions generated at ezTravel on the per room nights booked and also on a per ticket issued, is it similar level compared to Ctrip? Because on your guidance you give a blended figure. So I just wanted to understand for the commissions trend, is it being dragged down a little bit because of the pricing at ezTravel or not much impact?

Jane Sun Ctrip.com International Ltd. - CFO

Not too much of that. Their scale is much smaller and therefore it's not impacting our average price at all.

Chris Zee BNP Paribas - Analyst

Okay. But on a per room booked and per ticket issued, the aggregate number, is it slightly smaller than what Ctrip is generating right now?

Jane Sun Ctrip.com International Ltd. - CFO

Similar. Similar.

Chris Zee BNP Paribas - Analyst

Similar? Okay. Thanks for that.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Thank you, Chris.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

Your next question comes from the line of Dick Wei with JP Morgan. Please proceed.

Dick Wei JP Morgan - Analyst

Hi. Morning. Thanks for taking my questions. Just two questions. First can you provide an update on corporate travel business?

And secondly on the investment front if you can talk about further stakes increase potentially on Home Inns or on ezTravel or on (inaudible). If you can give us some sense that would be great. Thanks.

Min Fan Ctrip.com International Ltd. - CEO

For corporate travel business still this year, especially in Q1 it faced very big impact on the corporate travel business. And for this Q2 there is certainly some pick up in corporate travel business. And especially during the hard time, more and more corporate travel -- more and more corporate want to decrease their cost. So it also gave Ctrip a good timing to acquire more new customers. And I think the corporate travel business is still in line with our expectation this year so far. And also we are confident that we can still do penetrating more into this market.



Jane Sun Ctrip.com International Ltd. - CFO

In terms of our investment, I think we are always very prudent evaluating different opportunity. For me, I think the current position is very stabilized. And we do not have any plan to further increase the investment in the foreseeable future. And for the other investments, again we will always follow our guideline that be open with opportunity. But when we execute it we always execute it with great prudence.

Dick Wei JP Morgan - Analyst

Great. Thanks a lot.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks.

James Liang Ctrip.com International Ltd. - Chairman

Thanks.

Operator

Your next question comes from the line of Aaron Kessler, Kaufman. Please proceed.

Aaron Kessler Kaufman Brothers - Analyst

Hi Jane. It's a quick follow-up question. Can you just -- if you have it, the volume growth numbers for Q2 for both Air and Hotels, if you've include ezTravel in the numbers. I'm not sure if you have that. If not, can you just remind us what you said on the pricing for Air in Q2? Did you say down 10% year-over-year, and what was that in Q1? Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Yes. In Q2 the price was dropped about 10% year-on-year. I believe that is similar in Q1 as well. So on a sequential basis it's very stabilized. But on a year-over-year basis it still represents around 10% decrease.

Aaron Kessler Kaufman Brothers - Analyst

Okay. And do you happen to have the volume numbers if you include ezTravel in Q2?

Jane Sun Ctrip.com International Ltd. - CFO

The volume number is disclosed in our press release on a percentage growth perspective.

Aaron Kessler Kaufman Brothers - Analyst

Right. But I think that excludes ezTravel. And I was just wondering if you include it -- if you happen to have that?

Jane Sun Ctrip.com International Ltd. - CFO

No. We have both, including and excluding in the press release.

Aaron Kessler Kaufman Brothers - Analyst

You do? Okay. Great. I'll take a look. Thank you.

Operator

Your next question comes from the line of James Lee with Sterne Agee. Please proceed.

James Lee Sterne Agee - Analyst

I was wondering if you guys can provide any update on the World Expo 2010? For example, did the government provide any guideline on hotel pricing for next year?

And regarding to some of the official ticket agencies, are you working with them on hotel bookings in general. And any other programs you're working with the government to capitalize on this trend.



And also, lastly, there's a lot of construction activity leading up to the event next year. I wonder is that -- could that be possibly holding back some of the travel activities in the back half of the year? Thanks.

James Liang *Ctrip.com International Ltd. - Chairman*

I think World Expo will be very good opportunity for China and for Shanghai. And we are working very closely with the government organization. And we will try to provide more product offerings during the next year's World Expo. And so far we will try to be the definite official distributor in the -- in terms of the ticketing distribution business.

And as you talk about the construction during the -- before the Expo, I don't think this will prevent the business travel to travel to Shanghai or nearby cities. And I think this will be very minor impact on the business travel as well as leisure travels.

James Lee *Sterne Agee - Analyst*

Okay. And I just want to clarify your answer regarding being a official ticket agent for the government of Shanghai. I remember some time ago reading about the Shanghai government designated a number of agencies, i.e. the telephone companies, to be official agencies for selling the World Expo tickets. Are they in the process of still evaluating additional vendors for that kind of service, that's what you're referring to? Or are they in specific partnership program, working with these agencies on the hotel booking side? Thank you.

Min Fan *Ctrip.com International Ltd. - CEO*

Yes. For the telephone companies those four big companies that's designated as the retail distributors. And for travel and in sales we are working with the organizing body to try to get the group distribution -- as the group distribution company. So this will be in process I think in Q3.

And in terms of the hotel bookings, in fact there will be no certain (inaudible) on who can book hotels for Expo or who cannot. So as the largest hotel booking company in China I'm sure that we will have very good opportunity and be in very good position to provide good service to our customers.

Operator

Your next question comes from the line of Wendy Huang. Please proceed.

Wendy Huang *Royal Bank of Scotland - Analyst*

Hi. Just a few housekeeping questions. First, what's the cost incurred in Q2 for increasing the stake in ezTravel?

And second, what's the revenue contribution from the corporate travel in Q2 '09? I remember in the past you mentioned that you will break that out if that part exceeds 5% of total revenue.

And lastly, could you maybe comment on the potential competition from the ecommerce platform such as Taobao and Ali Baba. Especially recently we read news that three airlines partnered with Alipay to issue the ticket. Thank you.

James Liang *Ctrip.com International Ltd. - Chairman*

Yes. For the last two questions, for Taobao and for other third party companies to work with airline companies, I think it's a normal situation in the industry because the airlines they would try to enlarge their direct sales. And they will partnership with different intermediary channels. And still, as you know, the -- right now in the total air ticketing market the Ctrip the market share is less than 10%. And also for the airline companies, their direct sales is between 10% to 20%. So still there's much room for us to grow. So I don't think the competition landscape has changed so far. There should be no significant change.

Jane Sun *Ctrip.com International Ltd. - CFO*

On corporate travel -- sorry, Wendy.

Wendy Huang Royal Bank of Scotland - Analyst

Added on that, I think for some of your clients they seem quite Internet savvy. And so I wonder what kind of clients overlap potentially that you may have with other Internet platforms like Taobao or Alipay?

James Liang Ctrip.com International Ltd. - Chairman

In fact we also work with Ali Baba and with this kind of big Internet companies in China. So I think it's really the mutual channels. We can also work -- airline companies and Ctrip can also work together with those intermediary, Internet companies. So in fact if you look, the overall market is -- there are a lot of room for us to gain market share. In fact it's not really whether we can't or airline company cannot to gain the customers in the same market.

Wendy Huang Royal Bank of Scotland - Analyst

Okay.

Jane Sun Ctrip.com International Ltd. - CFO

Okay, good. And then your other questions for corporate travel, it's growing according to our plan. And so far the revenue contribution is just below 5%. So as we promised, once it reaches 5% we'll break it out as a separate line item.

And in terms of the additional investment in ezTravel for the quarter, compared to our overall financial positions, the additional investment we made in this quarter is insignificant compared to the total assets we have.

Wendy Huang Royal Bank of Scotland - Analyst

Thank you Jane.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks. Okay. Operator?

Operator

At this time there are no further questions. I would like to turn the call back over to Jade Wei.

Jade Wei Ctrip.com International Ltd. - Senior IR Manager

Okay. Thank you very much for your participation. And we hope to see you next quarter. Thank you very much.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

Thank you for your participation. This concludes the call. You may now disconnect. Have a good day.

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