

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

**CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call**

Event Date/Time: May. 14. 2008 / 9:00PM ET

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

## CORPORATE PARTICIPANTS

**Tracy Cui**

*Ctrip.com International Ltd. - Dir. of IR*

**Min Fan**

*Ctrip.com International Ltd. - Co-founder, CEO*

**James Liang**

*Ctrip.com International Ltd. - Co-founder, Chairman*

**Jane Sun**

*Ctrip.com International Ltd. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Jenny Wu**

*Morgan Stanley - Analyst*

**Aaron Kessler**

*Piper Jaffray - Analyst*

**Catherine Leung**

*Citigroup - Analyst*

**Ashish Thadhani**

*Gilford Securities - Analyst*

**George Chu**

*UBS - Analyst*

**Hai Ya Gao**

*FIG - Analyst*

**Wendy Huang**

*Bear Stearns - Analyst*

**James Mitchell**

*Goldman Sachs - Analyst*

**Richard Chow**

*AllianceBernstein - Analyst*

**Jason Johnson**

*Aurora Investments - Analyst*

**Timothy Chan**

*CLSA Asia Pacific - Analyst*

**Ki Chan**

*Shawn Capital - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the first-quarter 2008 Ctrip.com International Ltd. earnings conference call. My name is Emity and I'll be your coordinator for today. At this time all participants are in listen-only mode. We'll facilitate a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS). I would now like to turn the presentation over to your host for today's call, Ms. Tracy, Director of Investor Relations. Please proceed.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**Tracy Cui** - *Ctrip.com International Ltd. - Dir. of IR*

Thank you for joining Ctrip's first-quarter 2008 earnings 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 will during this call discuss our future outlook and performance which are forward-looking statements made under Safe Harbor provisions of the U.S. 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 as required in applicable law.

Min, James and Jane will provide business updates, industry outlook and the financial highlights for the first quarter of 2008 as well as the outlook for the second quarter. We'll 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. - Co-founder, CEO*

Thanks, Tracy. Thank you to everyone for joining us today on the call. I'm very glad to report a strong quarter of Ctrip at the beginning of 2008. In the first quarter of 2008 we encountered a severe weather change in our history and this heavily impacted the industry for both business and late year travel. Our team worked very hard to reach out to our customers and provide timely support during the storm of storms. We strived to deliver a strong Q1 result with revenue growth at 47% year-over-year.

Despite the bad weather, our hotel grew at 28% year-over-year. Air-ticketing business outpaced the market and grew at 68% year-over-year. And the packaged-tour business grew at 67% year-over-year. Thanks to the efforts from all our employees, we continued gaining more and more market share in this challenging environment.

Our hotel supply network continued to expand at a rapid pace with approximately 6,400 hotels by the end of March 2008 compared to approximately 4,900 by the same period last year. The number of hotels with guaranteed allotment rooms further increased to account for more than 60% of the total supply.

Airline industry had a challenging quarter in Q1. By providing excellent customer service we have done a very good job to gain marketshares and reached a record high in terms of tickets sold in this quarter. By the first quarter of 2008 the number of active cumulative customers reached to 4.5 million compared to 3 million by the same period of last year.

We have initiated an intensive customer relations management program targeting to improve our customer communication efficiencies and the customer experience. We are very excited that Ctrip was awarded the honor of Famous Chinese Trademark by the Trademark Office of China in March. Ctrip is the only brand that is awarded such an honor in China's online travel service industry and one of only three in the Chinese Internet sector. This award represents Ctrip's outstanding reputation in the industry and wide recognition of our high quality travel services.

The May holiday week has been replaced by a three-day weekend starting 2008. In light of this change we took the initiative to enhance our short distance and long weekend packages. Although the change in May holiday week might cause a short term in comparability from prior year numbers, we are optimistic that the long-term (inaudible) travel demand will continue to rise as the people's income level increases and the practice of paid vacation days is gradually enforced by the government.

As part of our ongoing effort to bring us closer to our customers we have established a customer experience center at seven key airports in China. These centers will enable us to better present our products, demonstrate our service capabilities and interact with our customers face to face.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

Overall we remain to be optimistic with our growth from a long-term perspective. In spite of the short-term market trends we are well positioned to further grow our market share. We will continue to focus on our execution and deliver our promise to shareholders. Now I will turn to James for an industry outlook.

**James Liang** - *Ctrip.com International Ltd. - Co-founder, Chairman*

Thanks, Min. I'm pleased that Ctrip has once again demonstrated its ability to cope with the challenging market conditions. We believe Ctrip has a proven track record of winning through difficult times with strong execution. We always view a temporary slowdown as an opportunity. Our superior customer service and increasing brand recognition will enable us to gain marketshare at a faster pace.

Although we see the indications that the travel market has shown a slower growth compared to 2007, we believe me short-term events will not change the fundamentals of the economy and the growth of the travel industry in China.

Based on a survey by the World Travel Organization, China is going to be the number one inbound and outbound tourist country by 2020. Particularly the growth of outbound travel is going to be further propelled by the appreciation of RMB. Ctrip is best positioned to grasp all opportunities ahead of us and to build the leading travel company in the world. Now let me turn to Jane for the update on our financial performance.

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

Thanks, James. I'm very pleased to report the solid results for the first quarter of 2008. The first quarter is normally the slowest quarter in the year for business travelers and this year it was even tougher. Despite challenges from the external market, our net revenues reached RMB340 million for the first quarter of 2008, representing a growth rate of 47% year-over-year.

Revenues from hotel reservations were RMB171 million or USD24 million in the first quarter of 2008, up 28% year-over-year primarily due to the increased volume of room nights and down 13% quarter-over-quarter due to the decreased hotel bookings volumes during the Chinese New Year's holiday.

Revenues from air ticketing reached another record of RMB159 million or USD23 million in the first quarter of 2008, up 68% year-over-year and 3% quarter-over-quarter primarily due to the increased ticket volume.

Revenues from packaged-tours were RMB27 million or USD4 million in the first quarter of 2008, up 67% from the same period last year and 22% from the previous quarter, primarily due to the increased leisure travel volume in Q1 of 2008.

The gross margin was 80% in the first quarter of 2008, remaining relatively consistent with 79% for the same period in 2007 and 81% in the previous quarter.

Product development expenses for the first quarter of 2008 increased by 57% to RMB54 million or USD8 million from the same period in 2007, primarily due to the increase of product development personnel resources. Product development expenses remained relatively consistent with the fourth quarter of 2007. Excluding share-based compensation charges, product development expenses accounted for 13% of net revenues, remaining consistent with the same period last year and the previous quarter.

Sales and marketing expenses for the first quarter of 2008 increased by 36% to RMB66 million or USD9 million from the same period in 2007, primarily due to the increase of sales and marketing personnel resources. Sales and marketing expenses decreased 9% from the previous quarter, primarily due to the decrease in advertisement and other sales and marketing activity. Excluding share based compensation charges, sales and marketing expenses accounted for 18% of net revenue, a decrease from 20% in the same period last year and 19% in the previous quarter.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

General and administrative expenses for the first quarter of 2008 increased by 42% to RMB43 million or USD6 million from the same period in 2007 and increased by RMB17 million from the previous quarter, primarily due to the increase of personnel resources and share-based compensation charges. Excluding share based compensation charges, general and administrative expenses accounted for 7% of the net revenues, a decrease from 8% for the same period last year and relatively consistent with the previous quarter.

Income from operations for the first quarter of 2008 was RMB110 million or USD16 million which represented a 55% increase from the same period in 2007 and a 13% decrease from the previous quarter. Excluding share-based compensation charges, income from operations was RMB444 million representing a 60% increase from the same period in 2007 and a 4% decrease from the previous quarter.

Operating margin was 32% in the first quarter of 2008 compared to 31% in the first quarter of 2007 and 36% in the previous quarter. Excluding share-based compensation charges, operating margin was 42% compared to 39% in the first quarter of 2007 and it was relatively consistent with the previous quarter.

Net income for the first quarter of 2008 was RMB99 million or USD14 million representing a 52% increase from the same period in 2007 and a 27% decrease from the previous quarter. Excluding share-based compensation charges, net income was RMB132 million or USD19 million representing a 68% increase from the same period in 2007 and a 16% decrease from the previous quarter.

The effective tax rate for the first quarter of 2008 was 28% as compared to 16% in the same period of 2007 and 7% in the previous quarter, primarily due to the application of a new statutory tax rate of 25% under the new EIT law effective on January 1, 2008 and the increase of share-based compensation which is now tax-deductible.

The diluted earnings per ADS were RMB1.43 or USD0.20. Excluding share-based compensation charges, the diluted earnings per ADS were RMB1.92 or USD0.27 for the first quarter of 2008.

As of March 31, 2008 the balance of cash and short-term investments was RMB1.2 billion or USD178 million. The balance of cash and short-term investment accounted for more than 50% of the total assets as of March 31, 2008.

For the second quarter of 2008 the Company expects to continue a year-on-year net revenue growth at approximately 30%. With that, operator, please open the lines for questions.

---

## QUESTIONS AND ANSWERS

### Operator

(OPERATOR INSTRUCTIONS). Jenny Wu, Morgan Stanley.

---

### Jenny Wu - Morgan Stanley - Analyst

I have two questions. Number one, would you please give us some highlights on the performance of second quarter given the earthquake and the shorter Labor Day holiday and the soft air traffic in Q2 so far? Thank you.

---

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

Sure. We're still in the second quarter, so we don't know the full picture until we close the quarter. However, we can give you some feeling as to the earthquake impact. The whole country right now is focusing on the relief efforts. So from a supply side

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

airlines are giving priority to the rescue teams and the rescue food to transport as much product to the Sichuan Province in order to rescue people and also to give relief to the people who are impacted by the disaster.

From a Travel Bureau perspective, they are discouraging people from traveling into the Sichuan Province right now in order not to interfere with the rescue efforts. So with that the market sentiment right now probably for travelers if they do not have to travel they will reduce their travel volume. So that is why we give a guidance of 30% in anticipation of a potential impact by the earthquake.

---

**Jenny Wu** - Morgan Stanley - Analyst

Okay, thank you. And Jane, what's the revenue contribution from Sichuan Province for Ctrip?

---

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

The revenue contribution for Sichuan Province is sizable -- it's not insignificant, it's below 10%. But I think the real important factor we need to consider is a similar situation for snowstorms. The direct impact from the cancellation during the snowstorm was limited. However, the snowstorm created a market sentiment and therefore the months after the snowstorm were relatively slow. If you look at the airline loading data in March, the airlines only grew about 6% as compared to 15% last year. So the potential impact from the earthquake on the overall market can be significant.

---

**Jenny Wu** - Morgan Stanley - Analyst

Okay, thank you. My second question is regarding the Olympic games. Obviously it's a big event this year also and we heard that (inaudible) making some possible traffic control during the period. Do you have any update on this and also any update on the impact of your business? Thank you.

---

**Min Fan** - Ctrip.com International Ltd. - Co-founder, CEO

I think from the long-term perspective Olympic games is definitely a great event for China and a very good opportunity for Ctrip. Ctrip will benefit from this event to increase our visibility. And from the short-term perspective during the Olympic games, I think in the -- maybe like in the Beijing area or nearby there was some traffic control and also I think some people in China will probably enjoy the sports and enjoy time the family or friends at home.

So maybe the long distance related travel will probably decrease to some extent and business travel maybe will be a little bit slowed down prior or during the Olympic games especially in the (inaudible) and the nearby Beijing area. So I think right now it is very hard to predict short-term impact since, as you know, this is the first time for China to host this big event. We do view this as a short-term impact and we are confident that Ctrip will be best positioned during this worldwide event. So for the long-term I think it will be very good for the China travel industry.

---

**Jenny Wu** - Morgan Stanley - Analyst

Okay, thank you very much.

---

**Operator**

Aaron Kessler, Piper Jaffray.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**Aaron Kessler** - Piper Jaffray - Analyst

A couple questions. First, outside of the earthquake, are there any other factors for the more conservative Q2 guidance? Is it the elimination of the May holiday? And also, what do you think led to the somewhat of a significant slowdown in the air traffic in March? And also just on the guidance for the full year '08, should we still look for 35%, is that still reasonable? Thank you.

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

Sure. The whole year and guidance remains to be the same at this point at 35%. The other factors we can take a look. The change in the May holiday -- the long distance tours are replaced by a three-day short distance tour. So from a leisure traveler's perspective the packaged-tour did have -- it's not comparable apples-to-apples from year to year. But once people are used to the change in the schedule I think from next year on the numbers will be more comparable.

Outside of the snowstorm and also earthquake, are there any other reasons causing the slowdown in that industry? I think based on the data we have seen the slowdown is mainly caused by special events such as snowstorms. When we look at the routes that have the majority of the decrease, these routes are all related to the areas which were hit by the snowstorm. So it's a special event related decrease in our mind.

**Aaron Kessler** - Piper Jaffray - Analyst

But would March also -- I didn't think the snowstorms were in March. I think the March airline traffic was a little slower. Any reason that you would have that you would have seen slower airline traffic in March?

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

You mean in March?

**Aaron Kessler** - Piper Jaffray - Analyst

Correct.

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

March is the month right after the snowstorm, so our thinking is it's the market sentiment after the snowstorm that is causing the market slowdown.

**Min Fan** - Ctrip.com International Ltd. - Co-founder, CEO

I think this is not just because the snowstorm at that time, but post snowstorm affects will exist. So also I think there will be similar consumer behavior like the post earthquake effect impact.

**Aaron Kessler** - Piper Jaffray - Analyst

And just one follow-up question. On the sales and marketing for the quarter, I noticed that it's did down from about 20% of revenues last year to about 18% in Q1. Should we expect a similar sales and marketing percentage of revenues going forward or do you think it will return to a more normalized rate, around 20%?

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

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

I think we monitored the investment to return very carefully. This quarter the market slows down, so based on our analysis of investment return we withheld some of the advertisement efforts because certain business activities were reduced. So we will keep the sales and marketing in a range of 18 to 20% for the year.

**Aaron Kessler** - *Piper Jaffray - Analyst*

Great. Thank you, Jane.

**Operator**

Catherine Leung, Citigroup.

**Catherine Leung** - *Citigroup - Analyst*

Good morning. In this quarter we saw significant year-on-year margin expansion and actually also a slight margin expansion on a sequential basis despite the first quarter being a seasonally weak quarter. I was wondering if you could elaborate a bit more on how you've been able to control the costs, where you've been able to generate increased operating efficiencies and how we should think about the margins for the rest of the year.

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

Sure. I think our team has worked very hard to improve our efficiency on a daily basis. Our team has been examining all the business processes in order to cut unnecessary steps and to better service our customer. That is reflected in our numbers.

Going forward I think, as we discussed before, as air ticket is contributing more and more to the revenue pool, that will pull down the margin a little bit. But hopefully we will be able to continuously improve our efficiency to offset that decrease and hold a very consistent margin. In the long run, if the air industry and air tickets and hotel business are evening out in five years I think the margin should be stabilized somewhere around 75%.

**Catherine Leung** - *Citigroup - Analyst*

Okay, thank you.

**Operator**

Ashish Thadhani, Gilford Securities.

**Ashish Thadhani** - *Gilford Securities - Analyst*

Good morning. Two or three questions. The first one is there was a big jump in the share-based compensation in the quarter. Could you explain what specifically happened and what we can expect in coming quarters, whether this will be the baseline and what rate of increase we should be factoring in?

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

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

Sure. When you look into the share-based compensation there are two major factors which determine the total expenses. The first one is the number of the shares we granted. The second one is the stock price. So for the first item the total shares we can grant in our stock option plan is limited to a maximized amount of 1 million ordinary shares every year. So we control the total shares very tightly. The second item is the stock price. The increase in the stock price is the main reason why you see the overall expenses for share-based compensation increase.

**Ashish Thadhani** - *Gilford Securities - Analyst*

Okay. So if the price were to be roughly here, then we should assume that this \$4.8 million roughly will also stay where it is or it might increase a little bit because you'll be granting a little bit more, is that right?

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

No, we're not going to grant a little bit more. The total number of the shares we grant is limited at 1 million a year. So the increase is only linked to the stock price. If our stock price is increasing the total stock compensation will increase, but if the stock price decreases that is the other direction.

**Ashish Thadhani** - *Gilford Securities - Analyst*

Okay. And then the other income in this quarter, could you just provide some color on that? Are those subsidies and, if so, roughly how much can we expect on an annualized basis because I think in the last four quarters we've seen roughly \$7 million or thereabouts. So what would be a representative equilibrium for that kind of -- for those contributions?

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

Sure. In the other income line there are two components, the first one is the subsidy, the second one is the foreign exchange gain. Last year end we converted some USD which is intended to pay the stock dividends after June 30th this year into Australian dollars. So Australian dollars compared to USD had some appreciation. So part of the other income is FX gain and the rest is the subsidy.

Now on subsidy the timing and the amount of how much we can get is totally up to the government. Our team will always do our best to apply as much as possible, but how much they will grant and when they will grant is totally dependent on the government agency. So for that reason we conservatively record the subsidy income based on the cash basis when we receive it. So probably the similar level as last year is achievable.

**Ashish Thadhani** - *Gilford Securities - Analyst*

And in this order, of the 2.7 million, can you break that out by subsidies and ForEx gain?

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

The FX gain is probably around RMB10 million and the rest is subsidy.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**Ashish Thadhani** - *Gilford Securities - Analyst*

Okay, that's very helpful. And final question has to do with your tax rate. Should we be assuming this kind of effective tax rate for the rest of the quarters? I understand that it's 25% and then the share-based compensation is nondeductible so it takes it up to 28%. But I also understand that you have applied for preferential tax treatment. Can you talk to us a little bit about the timing of that coming through and what the magnitude might be?

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

Sure. This year starting January 1, 2008 the Chinese government has kicked into effect that the overall statutory tax rate is 25% and they expected to accept applications towards the end of May or June. And our teams are very proactive to get all the documents ready. Once the timing is ready we'll submit our application form in order to apply for the status of new and high technology.

So before we get the approval we will prudently apply 25% for almost all the Chinese entities. And if we get the preferential tax treatment approved later on, then we will reflect it in the quarter when the approval is obtained.

**Ashish Thadhani** - *Gilford Securities - Analyst*

But how long might that take and, if it is approved, where would this 25% or 28% stabilize?

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

Sure. So if you take out stock compensation, so the highest rate is 25%, the best case, if all the entities are approved for high-end new technology that's 15%. If some entities are approved, some are not; the rate can be in between 15 and 25% excluding stock compensation.

**Ashish Thadhani** - *Gilford Securities - Analyst*

And timing?

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

The timing -- we are hopeful -- depending on how fast the government can process it, we are hopeful we can get the approval before the year end.

**Ashish Thadhani** - *Gilford Securities - Analyst*

Terrific. Thank you very much.

**Operator**

George Chu, UBS.

**George Chu** - *UBS - Analyst*

Actually my question has been answered. Thank you.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**Operator**

[Hai Ya Gao], [FIG].

**Hai Ya Gao** - FIG - Analyst

Good morning. I just have a quick question about -- you didn't disclose your ARPU and the booking volume now, but I'm just wondering if you can tell us which is the driver for your revenue growth, ARPU or the booking volume?

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

Sure. As we discussed last quarter, we will do our best to help our investors to understand our business as much as possible. Right now our main driving force is coming from the volume drive.

**Hai Ya Gao** - FIG - Analyst

Okay, I see. Thank you. And another quick question is about like on your balance sheet, the (inaudible) from customers dropped a lot. So I just wanted to clarify if the (inaudible) due to the weak seasonality and the snowstorm impact, right?

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

Yes, that's correct.

**Hai Ya Gao** - FIG - Analyst

Okay, thank you.

**Operator**

Wendy Huang, Bear Stearns.

**Wendy Huang** - Bear Stearns - Analyst

Good morning. Thanks for taking my questions. I have two questions. First, last quarter you mentioned that once your corporate travel business reached a certain scale you would break it down. So could you give us some update on that side?

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

Our corporate travel as gained very good momentum and it's increasing at more than 100% year-over-year. The total corporate travel market is very sizable in China and it's fast-growing. We are already one of the top two players in the market. So we're very confident that that business will keep up with the strong momentum. Hopefully when they become more than 5% we'll be able to break it out next year.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**Wendy Huang** - *Bear Stearns - Analyst*

So do you see any earthquake or snowstorm impact on this business segment or is it mostly (inaudible) driven, not really event driven?

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

I think for this type of business it will be less impacted by either snowstorms or the earthquake, but there must be some less [opposed] earthquake effect. For example, there will be some (inaudible) I expect if (inaudible) will be canceled or postponed. But (inaudible) on those events or activities at last -- they will show up at last. So we do hope that this part of business will be in effect very small.

**Wendy Huang** - *Bear Stearns - Analyst*

Okay. Secondly, given that Ma Ying-jeou won the Taiwan presidential election and we expect to see some relaxation in Taiwan's (inaudible) control. And also I think Ctrip is still having a minority stake in EZ Travel in Taiwan if I'm correct. And so what's your strategy in that market going forward?

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

We do see a great opportunity for Ctrip when the travel restriction between mainland China and Taiwan are lifted, and mainland Chinese people would like to visit Taiwan. Meanwhile the inbound travel volume would be increased if there are more and more direct flights, instead will be the gain from this July, but we are waiting for the final discussion. But overall I think for the travel across the Taiwan Strait will be a (inaudible) process and we see limited impact to us in the year of 2008.

For the EZ Travel side, we're sure that by utilizing both companies' platforms we will be able to offer comprehensive products and service to our customers from both sides. So that will give Ctrip and EZ Travel a more better marketing position to service our customers compared with other players.

**Wendy Huang** - *Bear Stearns - Analyst*

Do you have any plan to increase the stake in EZ Travel?

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

We're open for all of the options, yes.

**Wendy Huang** - *Bear Stearns - Analyst*

Okay. Thank you.

**Operator**

James Mitchell, Goldman Sachs.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**James Mitchell** - *Goldman Sachs - Analyst*

Good morning. Thanks for taking my question. Just on the hotel revenue growth rate decelerating from a 30% plus growth to a 28% year-over-year growth. How much should we view that deceleration as just natural because of the law of large numbers and you've already penetrated a lot of big second tier cities versus how much should we view it as onetime slowdown because of the snowstorms? Thank you.

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

Sure. The hotel market growth rate this year is much slower than last year. Officially there is no official number for hotel growth rate, but normally a reasonable analysis is it should be very consistent with the airline industry growth. For Q1 the airline industry grew about 11% compared to 15% last year. That's probably a reasonable assumption for the hotel business.

We grew 28% which represents 2.5 -- somewhere around 2.5 of the market. So we outpaced the market growth by more than double. And last year the market grew about 15%. We also outgrew the market at around 2.5%. So even during a slow time I think our execution will still allow us to gain more marketshare. However, in terms of absolute dollar amount, that should be a combination of our execution and also the market condition.

**James Mitchell** - *Goldman Sachs - Analyst*

Okay. Just in terms of the market growth decelerating, how much of that was due to snowstorms and other onetime factors versus how much due to macroeconomic or other issues?

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

That's a good question because when we see the slowdown there are many things happened in Q1 -- the West region had some events taking place and also the snowstorms taking place. So it's very hard for us to segregate to allocate a certain percentage to a snowstorm, allocate a certain percentage to some other effect. But from what we can see, our data shows that the decrease is mainly related to the areas which are hit by the special events.

**James Mitchell** - *Goldman Sachs - Analyst*

Okay, thank you.

**Operator**

Richard Chow, AllianceBernstein.

**Richard Chow** - *AllianceBernstein - Analyst*

Thanks for taking this question. I have a question regarding your guidance for second quarter. The 30% guidance for second quarter, is that a preemptive measure? So far how have things shaped out in April and is that in anticipation of this earthquake that will slow down things? And I'll follow-up with my second question.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

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

So far April has -- two things happened. First of all, I think the May holiday changed so that impacted the long distance tour. And also, the air industry in April still shows a very slow growth rate compared to last year's. So that's what we have seen so far. And the anticipated impact from the earthquake for the post earthquake market sentiment is also one of the very important factors buried into our guidance.

**Richard Chow** - *AllianceBernstein - Analyst*

Okay, thanks. If we have to make an early estimation on the third quarter which we also have Olympics one-off events, would you kind of think that to be higher than 30% or lower than 30% growth if we estimate an assumption today?

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

It's very hard to do that. Our team for each productline is monitoring each line very carefully. Because this is the first time China is hosting such a major event, we really do not have any historical data to base it on. So we would rather monitor the situation and give prudent guidance when we have better visibility.

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

And also I think with Q2 our forward-looking guidance, and we're hopeful Q2, the earthquake even the post effect would be a short-term event, a short-term effort, a short-term impact on the overall travel industry. But so far we cannot judge right now.

**Richard Chow** - *AllianceBernstein - Analyst*

Okay, thanks a lot.

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

Sure. But I think for Ctrip normally, because of our high quality of the services and a strong branding, during a slow time and also during a time that the overall market slowed down, that's a very good opportunity for us to grow our marketshare. Take an example for air ticket. Last year we did four times the market. So the market grew about 15% and we did more than 60%. And this year the market grew 11%, we still delivered more than 60%, so that means our marketshare gain is much faster than last year. So during a slow time actually Ctrip -- it is a good opportunity for Ctrip to even grow our marketshare faster.

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

Once you have very strong customer standards and you have very good operation quality it will be even better for you to acquire more marketshare in low season.

**Richard Chow** - *AllianceBernstein - Analyst*

Great, thanks.

**Operator**

[Jason Johnson], Aurora Investments.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**Jason Johnson** - Aurora Investments - Analyst

Good morning, everybody. Congratulations for a strong quarter. I notice that your stock price dropped about 10% in after hour trading, but I believe it's a strong quarter in every metric in terms of revenue, operating income and net income and net income per share, it's a very strong quarter.

I have two questions about the business, the environment and the competitive troubled landscape in China. About six months ago I asked Min what impact chinaair had on your business. And at that time you said that you didn't put any advertisement on chinaair, but recently, just a couple weeks ago, I checked chinaair again. I see you flood their space with your ads, most of them are packaged tours. I was wondering what changed within six months?

**Min Fan** - Ctrip.com International Ltd. - Co-founder, CEO

I think if I would not put our advertisement in chinaair's website, I think chinaair, because it's a search engine, so they will get information from various travel websites in posting their website. And I think right now, if you compare six months ago, definitely chinaair, they gained more page views than before. I think it's normal because people were trying to -- like the search engine, any kind of search engine they gain more and more page views year-over-year.

But finally, I think we need to see the consumer behavior, an experienced consumer or sophisticated traveler, how they book their products. Either they book their products from a very comprehensive platform or they just try to search here and there. So far I don't think the competition landscape changed. There are no major material impacts on Ctrip's competition position. I think in the China travel industry, because more and more travelers and there are more and more even websites emerging from the horizon. So page view increases, I think it's normal, it's a normal thing for every website.

**Jason Johnson** - Aurora Investments - Analyst

So you still believe that chinaair will not impact your business? I know that chinaair doesn't make reservations for travelers, they just direct traffic to different reservations sites. I got the feeling that chinaair, they level the playing ground so that the mom and pops, those little shops can compete with such giants as Ctrip. Is that your view or you still believe that this mom and pop and there's no way for these mom and pops to compete with Ctrip?

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

chinaair probably in offers -- provides more value to the price sensitive consumers. And every quarter we come back to our consumer survey and based on our survey our customers always focus on three major things. The first one is the quality of the service. The second one is the timeliness. The third one is the reliability. In the customer surveys we have conducted so far price is always the lowest. So therefore I think the target market feature is that versus chinaair is quite different. So we do not see chinaair as a major competitor with us, no. We're totally in two different sectors.

**Jason Johnson** - Aurora Investments - Analyst

I have a second question. Recently I was reading a Chinese travel magazine and there is a very brief news that there is a local travel agency called Golden Holiday, they are filing a lawsuit against Ctrip. Could you confirm that or -- could you confirm this, whether this news is a rumor or this is a --?

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

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

Yes. During normal course of business we always have here and there disputes between different business entities. But nothing is going to materially impact our business.

**Jason Johnson** - *Aurora Investments - Analyst*

What's the nature of the lawsuit? Is it because you have some patent issues? I don't believe that you have any patent issues. What's the nature of that lawsuit?

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

In fact, I think Golden Holiday, they challenged the (inaudible) hand out certain qualifications of Ctrip to do the travel business in China and that they launched their suit in a few cities for all of these suits they report.

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

They have filed lawsuits in the past couple of years and pretty much all the lawsuits was -- they lost all the lawsuits.

**Jason Johnson** - *Aurora Investments - Analyst*

But when I read your F-20 report that you filed with the SEC, and you do recognize that there is significant risk for violating Chinese business law. Because Ctrip -- given the fact that Ctrip is a foreign person under Chinese law, in the service industry it's limited to domestic companies. That's not a concern or that's not a significant risk factor?

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

The reason we put it in the 20-F is because it's a risk factor. But our legal structure, based on our counsel's opinion for many years, supports our position and it's in compliance with legal requirements in China. And it's a very common standard structure among all the NASDAQ listed companies.

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

And also, in the meantime in fact we are -- our pricing structure and our operation quality was notified by the government, as you can see in our press release, that we got our national --.

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

The trademark (multiple speakers) gives us the trademark in China and that's a (multiple speakers) reward.

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

That's a government reward. They will review your company very carefully in terms of any lower points or any operational point of view.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

**Jason Johnson** - *Aurora Investments - Analyst*

Okay, thank you.

---

**Operator**

[Timothy Chan], CLSA Asia Pacific.

---

**Timothy Chan** - *CLSA Asia Pacific - Analyst*

Thank you for your presentation. I have two quick keeping questions. Can you give us the number of hotel rooms sold and the air tickets sold in the first quarter? Sorry if I missed that.

---

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

Sure. As we discussed last quarter, from Q1 2008 we are no longer going to break out the volume and the commission separately due to increasing sensitivity for competitive reasons. But what we will do is we will do our best to help our investors to understand our business. And as we discussed before, the main driving force for our business right now is volume driven.

---

**Timothy Chan** - *CLSA Asia Pacific - Analyst*

Thank you.

---

**Operator**

[Ki Chan], [Shawn] Capital.

---

**Ki Chan** - *Shawn Capital - Analyst*

Thank you for taking my question. We just read some news regarding Priceline, they're coming to China, they are working with Kooxoo's website and they claim to have more hotels than Ctrip. And also they'll provide like lowest price for the hotel. I'm wondering, do you see the competition from this? And also, how do you see the competition from (inaudible) website by themselves and also the hotel website by the hotel operators? Thanks.

---

**Min Fan** - *Ctrip.com International Ltd. - Co-founder, CEO*

For Kooxoo, I think it's just a launch to be positioned as another travel searching portal or travel related portal. And I think for customers it's not reason if you have five (inaudible) hotels or 10 (inaudible) hotels you will make a difference. How can you help make a difference if your service quality and your value added service and also your consistent quality.

So in terms of this point I think Ctrip is well positioned and has very good advantage over other players. And in terms of the hotels website or even the airline website for their direct sales, I think for customers they -- of course some customers will go direct to their website, but most of the customers, they would like to have more choice, more options for their travel division maker.

May. 14. 2008 / 9:00PM, CTRP - Q1 2008 Ctrip.com International, Ltd. Earnings Conference Call

And also on Ctrip's website you can get all the comprehensive information and all the various service assistance. So most of our customers, as we know, they will have more value added service, more comprehensive information than just one hotel or just one airline company. So I think right now the -- overall the competition landscape has not changed so far.

**Ki Chan** - *Shawn Capital - Analyst*

Thank you.

**Operator**

I'm showing you have no further questions at this time.

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

Okay. If there are no other questions I'll conclude this call. Thank you, everybody.

**Operator**

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.

**DISCLAIMER**

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.