CTRIP COM INTERNATIONAL LTD
Form 20-F
March 28, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2013**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**
	OR
o	**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . .

Commission file number 001-33853

CTRIP.COM INTERNATIONAL, LTD.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant s name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

99 Fu Quan Road
Shanghai 200335
People s Republic of China
(Address of principal executive offices)

James Jianzhang Liang, Chief Executive Officer
Telephone: +(8621) 3406-4880
Facsimile: +(8621) 5251-0000
99 Fu Quan Road
Shanghai 200335
People s Republic of China
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
Ordinary shares, par value US$0.01 per ordinary share	The NASDAQ Stock Market LLC* (The NASDAQ Global Select Market)

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

33,828,251 ordinary shares, par value $0.01 per ordinary share.

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

x Yes o No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

o Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS.)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

o Yes o No

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INTRODUCTION

In this annual report, unless otherwise indicated,

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

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

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

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

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

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

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2011, 2012 and 2013.

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

FORWARD-LOOKING INFORMATION

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

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

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

- a severe or prolonged downturn in the global or Chinese economy may have a material and adverse effect on our business, and may materially and adversely affect our growth and profitability;

- general declines or disruptions in the travel industry may materially and adversely affect our business and results of operations;

- the trading price of our ADSs has been volatile historically and may continue to be volatile regardless of our operating performance;

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

- if we fail to further increase our brand recognition, we may face difficulty in obtaining new business partners and customers, and our business may be harmed;

- if we do not compete successfully against new and existing competitors, we may lose our market share, and our business and results of operations may be materially and adversely affected;

- our business could suffer if we do not successfully manage current growth and potential future growth;

- our strategy to acquire or invest in complementary businesses and assets involves significant risks and uncertainty that may prevent us from achieving our objectives and harm our financial condition and results of operations;

- our quarterly results are likely to fluctuate because of seasonality in the travel industry in Greater China;

- our business may be harmed if our infrastructure and technology are damaged or otherwise fail or become obsolete;

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

- inflation in China may disrupt our business and have an adverse effect on our financial condition and results of operations; and

- if the ownership structure of our affiliated Chinese entities and the contractual arrangements among us, our consolidated affiliated Chinese entities and their shareholders are found to be in violation of any PRC laws or regulations, we and/or our affiliated Chinese entities may be subject to fines and other penalties, which may adversely affect our business and results of operations.

These risks are not exhaustive. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. You should read these statements in conjunction with the risk factors disclosed in Item 3.D. Risk Factors of this annual report and other risks outlined in our other filings with the Securities and Exchange Commission. Moreover, we operate in an emerging and evolving environment. New risk factors may emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents the selected consolidated financial information for our business. You should read the following information in conjunction with Item 5. Operating and Financial Review and Prospects below. The selected consolidated statement of operations data for the years ended December 31, 2011, 2012 and 2013 and the selected consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements and should be read in conjunction with those statements, which are included in this annual report beginning on page F-1. The selected consolidated statement of operations data for the years ended December 31, 2009 and 2010 and the selected consolidated balance sheet data as of December 31, 2009, 2010 and 2011 have been derived from our audited consolidated financial statements for these periods, which are not included in this annual report.

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

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	For the Year Ended December 31,					
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US$(2)
	(in thousands, except for per ordinary share data)					
Consolidated Statement of Operation Data						
Net revenues	1,988,007	2,881,233	3,498,085	4,158,791	5,386,746	889,827
Cost of revenues	(450,603)	(625,261)	(805,130)	(1,037,791)	(1,386,767)	(229,078)
Gross profit	1,537,404	2,255,972	2,692,955	3,121,000	3,999,979	660,749
Operating expenses						
Product development(1)	(308,452)	(453,853)	(601,485)	(911,905)	(1,245,719)	(205,778)
Sales and marketing(1)	(345,289)	(453,293)	(624,600)	(984,002)	(1,269,413)	(209,692)
General and administrative(1)	(196,297)	(294,701)	(400,876)	(570,487)	(646,405)	(106,778)
Total operating expenses	(850,038)	(1,201,847)	(1,626,961)	(2,466,394)	(3,161,537)	(522,248)
Income from operations	687,366	1,054,125	1,065,994	654,606	838,442	138,501
Net interest income and other income	78,194	136,712	223,627	296,088	306,147	50,572
Income before income tax expense, equity in income of affiliates and noncontrolling interest	765,560	1,190,837	1,289,621	950,694	1,144,589	189,073
Income tax expense	(131,658)	(205,017)	(262,186)	(294,526)	(293,740)	(48,522)
Equity in income of affiliates	32,869	66,172	57,525	34,343	55,554	9,176
Net income	666,771	1,051,992	1,084,960	690,511	906,403	149,727
Less: Net loss / (income) attributable to noncontrolling interests	(7,797)	(3,922)	(8,545)	23,895	91,917	15,184
Net income attributable to Ctrip s shareholders	658,974	1,048,070	1,076,415	714,406	998,320	164,911
Earnings Per Ordinary Share Data:						
Net income attributable to Ctrip s shareholders	658,974	1,048,070	1,076,415	714,406	998,320	164,911
Earnings per ordinary share(3), basic	19.62	29.62	29.92	20.87	30.34	5.01
Earnings per ordinary share(3), diluted	18.69	27.89	28.30	19.92	26.63	4.40

	As of December 31,					
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US$(2)
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	1,434,618	2,153,935	3,503,428	3,421,533	7,138,345	1,179,171
Restricted cash	113,150	224,179	211,636	768,229	739,544	122,164
Short-term investment	180,184	1,178,278	1,288,472	1,408,664	3,635,091	600,474
Accounts receivable, net	420,579	621,549	789,036	983,804	1,518,230	250,794
Prepayments and other current assets	134,318	355,831	566,188	999,149	1,237,531	204,426
Deferred tax assets, current	23,446	37,136	39,782	61,841	96,980	16,020
Non-current assets	1,850,465	3,545,296	3,362,893	4,026,531	6,452,753	1,065,918
Total assets	4,156,760	8,116,204	9,761,435	11,669,751	20,818,474	3,438,967
Current liabilities	1,158,542	1,880,898	2,568,060	3,910,144	6,368,008	1,051,921
Deferred tax liabilities, non-current	11,510	45,383	48,309	53,309	63,197	10,439
Long-term Debt				1,121,418	5,657,183	934,500
Total Ctrip s shareholders equity	2,925,048	6,103,693	7,042,295	6,489,632	8,530,396	1,409,121

Noncontrolling interests	61,660	86,230	102,771	95,248	199,690	32,986
Total shareholder s equity	2,986,708	6,189,923	7,145,066	6,584,880	8,730,086	1,442,107

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

	For the Year Ended December 31,					
	2009 RMB	**2010 RMB**	**2011 RMB**	**2012 RMB**	**2013 RMB**	**2013 US$(2)**
			(in thousands)			
Product development	33,863	64,254	98,955	132,583	138,668	22,906
Sales and marketing	18,864	33,203	48,191	55,892	49,105	8,111
General and administrative	77,802	145,104	195,645	243,246	250,157	41,323

(2) Translation from RMB amounts into U.S. dollars was made at a rate of RMB6.0537 to US$1.00. See Exchange Rate Information.

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

Exchange Rate Information

We have published our consolidated financial statements in RMB. Our business is primarily conducted in China in RMB. The conversion of RMB into U.S. dollars in this annual report is based on the certified exchange rate published by the Federal Reserve Board. For your convenience, this annual report contains translations of some RMB or U.S. dollar amounts for 2013 at US$1.00 : RMB6.0537, which was the certified exchange rate in effect as of December 31, 2013. The certified exchange rate on March 21, 2014 was US$1.00 : RMB 6.2248. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange.

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The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. The exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve Statistical Release.

	Certified Exchange Rate			
Period	**Period-End**	**Average(1)**	**Low**	**High**
	(RMB per U.S. Dollar)			
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7689	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
September	6.1200	6.1198	6.1213	6.1178
October	6.0943	6.1032	6.1209	6.0815
November	6.0922	6.0929	6.0993	6.0903
December	6.0537	6.0738	6.0927	6.0537
2014				
January	6.0590	6.0509	6.0600	6.0402
February	6.1448	6.0816	6.1448	6.0591
March (through March March 21, 2014)	6.2248	6.1590	6.2273	6.1183

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Company

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

The global financial markets have experienced significant disruptions since 2008, and most of the world s major economies have experienced recession. The recovery from the lows of 2008 and 2009 was uneven and the markets are facing new challenges, including the escalation of the European sovereign debt crisis after 2011. There is considerable future uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world s leading economies, including China. There have also been concerns over unrest in the Middle East and Africa, which have resulted in higher oil prices and significant market volatility. There have also been concerns about natural disasters and political and diplomatic tensions in Asia, including in Thailand, Japan and the Philippines.

Economic conditions in China are sensitive to global economic conditions. Our business and operations are primarily based in China and the majority of our revenues are derived from our operations in China. Accordingly, our financial results have been, and are expected to continue to be, affected by the economy and travel industry in China. Although the economy in China has grown significantly in the past decades, any severe or prolonged slowdown in the global and/or Chinese economy could reduce expenditures for travel, which in turn may adversely affect our operating results and financial condition. Recovery of the Chinese economy since 2010 has been uneven. It was relatively stable in 2011, and the growth rate of China s GDP decreased in 2012 and remained relatively slow in 2013. It is unclear how the economy will fare in 2014 and beyond. Since we derive the majority of our revenues from hotel reservation, air-ticketing and packaged-tour services in China, any severe or prolonged slowdown in the global and/or Chinese economy or the recurrence of any financial disruptions may materially and adversely affect our business, operating results and financial condition in a number of ways. For example, the weakness in the economy could erode consumer confidence which, in turn, could result in changes to consumer spending patterns relating to travel products and services. If consumer demand for travel products and services we offer decreases, our revenues may decline. Furthermore, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

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

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

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

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

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

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. In 2013, the trading prices of our ADSs on the NASDAQ Global Select Market ranged from US$18.87 to US$61.09 per ADS, and the closing price on March 27, 2014 was US$47.01 per ADS. The price of our ADSs may fluctuate in response to a number of events and factors, including the following:

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

In addition, the stock market in general, and the market prices for Internet-related companies and companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of the securities of these China-based companies after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. Furthermore, some negative news and perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure including the use of variable interest entities or other matters of other China-based companies have negatively affected the attitudes of investors towards China-based companies, including us, in general in the past, regardless of whether we have engaged in any inappropriate activities, and any news or perceptions with a similar nature may continue to negatively affect us in the future. In addition, the global financial crisis and the ensuing economic recessions in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the second half of 2011 and the first half of 2012. These broad market and industry fluctuations may continue to adversely affect the price of our ADSs, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted share-based awards.

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

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

We derive revenues and other significant benefits from our arrangements with major domestic airlines in China and international airlines. Our airline ticket suppliers allow us to book and sell tickets on their behalf and collect commissions on tickets booked and sold through us. Although we currently have supply relationships with these airlines, they also compete with us for ticket bookings and have entered into similar arrangements with many of our competitors and may continue to do so in the future. Such arrangements may be on better terms than we have. In the past, airlines have from time to time reduced the commission rates on tickets booked and sold through us, which negatively affected our revenues from air-ticketing in the relevant periods. We cannot assure you that any of these airlines will continue to have supplier relationships with us or pay us commissions at the same or similar rates as what they paid us in the past. The loss of these supplier relationships or adverse changes in major business terms with our travel suppliers would materially impair our operating results and financial condition as we would lose an increasingly significant source of our revenues.

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

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

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

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

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

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

In the past, our competitors launched aggressive advertising campaigns, special promotions and engaged in other marketing activities to promote their brands, acquire new customers or to increase their market shares. In response to such competitive pressure, we started to take and may continue to take similar measures and as a result will incur significant expenses, which in turn could negatively affect our operating margins in the quarters or years when such promotional activities are carried out. For example, we launched a promotion program in recent years to offer certain selected air tickets, hotel rooms and package tours as well as grant of e-coupons to our customers in response to promotion campaigns that our competitors have launched. Primarily as a result of the enhanced marketing efforts and additional investment in product developments in response to the intensified market competition, our operational margin was negatively affected. In addition, some of our existing and potential competitors may have competitive advantages, such as significantly greater financial, marketing and strategic relationships and alliances or other resources or name recognition, and may be able to imitate and adopt our business model. We cannot assure you that we will be able to successfully compete against new or existing competitors. In the event we are not able to compete successfully, our business, results of operations and profit margins may be materially and adversely affected.

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

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

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

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

- high acquisition and financing costs;
- potential ongoing financial obligations and unforeseen or hidden liabilities;

- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;

- cost of, and difficulties in, integrating acquired businesses and managing a larger business;

- potential claims or litigation regarding our board s exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the board; and

- diversion of our resources and management attention.

Our failure to address these uncertainties and risks may have a material adverse effect on our financial condition and results of operations. In addition, we establish strategic alliances with various third parties to further our business purpose from time to time. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counter-party, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business.

We have invested through open market purchases and in a private placement transaction a total of US$92 million in an approximately 15.39% stake in Home Inns & Hotels Management Inc., or Home Inns, a leading economy hotel chain in China. The purchase prices were determined based on the trading prices of Home Inns ADSs on the NASDAQ Global Market at the time of each open market purchase or the average closing prices of Home Inns ADSs as stipulated in the relevant purchase agreement. In March 2010, we invested a total of US$67.5 million in approximately 9% stake in China Lodging Group, Limited, or Hanting, a leading economy hotel chain in China, through private placement transactions and purchases in Hanting s initial public offering. The purchase prices for shares acquired in both private placement transactions and the initial public offering were equal to Hanting s initial public offering price. If the ADS price of Home Inns or Hanting declines and becomes lower than our share purchase price, we could incur impairment loss under U.S. GAAP, which in turn would adversely affect our financial results for the relevant periods. In addition, if any of these acquired entities incur a net loss in the future, we would share their net loss proportionate to our equity interest in them.

From time to time, we selectively acquired or invested in businesses that complement our existing business, and will continue to do so in the future. See Item 4. Information on the Company History and Development of the Company for more details of our acquisitions and investments. We cannot assure you that we will be able to achieve the benefits we expected from such acquisitions or investments. Any actual or perceived failure to realize the benefits we expected from these acquisitions or investments may cause the trading price of our ADSs to decline.

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

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

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

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

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

In addition, our future success will depend on our ability to adapt our products and services to the changes in technologies and Internet user behavior. For example, the number of people accessing the internet through mobile devices, including smart devices, mobile phones, tablets and other hand-held devices, has increased in recent years, and we expect this trend to continue while 3G and more advanced mobile communications technologies are broadly implemented. If we fail to develop products and technologies that are compatible with all mobile devices and operating systems, or if the products and services we develop are not widely accepted and used by users of various mobile devices and operating systems, we may not be able to penetrate the mobile Internet market. In addition, the widespread adoption of new internet technologies or other technological changes could require significant expenditures to modify or integrate our products or services. If we fail to keep up with these changes to remain competitive, our future success may be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In early 2003, several regions in Asia, including Hong Kong and China, were affected by the outbreak of SARS. The travel industry in China, Hong Kong and some other parts of Asia suffered tremendously as a result of the outbreak of SARS. Furthermore, in early 2008, severe snowstorms hit many areas of China and particularly affected southern China. The travel industry was severely and adversely affected during and after the snowstorms. Additionally, in May 2008, a major earthquake struck China s populous Sichuan Province, causing great loss of life, numerous injuries, property loss and disruption to the local economy. The earthquake had an immediate impact on our business as a result of the sharp decrease in travel in the relevant earthquake-affected areas in Sichuan Province. In 2009, an outbreak of H1N1 influenza (swine flu) occurred in Mexico and the United States and human cases of the swine flu were discovered in China and Hong Kong. In March 2011, a powerful earthquake hit Japan, and the subsequent tsunami and nuclear accidents had far-reaching impact on the surrounding economies. Starting from March 2013, H7N9 bird flu, a new strain of animal influenza, has been spreading in China and has infected more than a hundred people. In October 2013, large scale political protests began in Thailand that lasted several months and caused disruption to tourism and travel. In November 2013, one of the largest typhoons ever recorded hit the Philippines, causing widespread devastation.

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

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

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

In December 2008, our PRC subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information were each designated by relevant local authorities as a high and new technology enterprise under the EIT Law with an effective period of three years. Therefore, these entities were entitled to enjoy a preferential tax rate of 15% from 2008 to 2011, as long as they maintained their qualifications for high and new technology enterprises . These four entities re-applied for this qualification after the effective period expired in 2011 and their applications were approved by the relevant government authority. The high and new technology enterprises status of these entities is subject to review every three years and we cannot assure you that our subsidiaries will continue to qualify as high and new technology enterprises when they are subject to reevaluation in the future. In 2012, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% tax rate for 2011 tax filing and for the year from 2012 to 2014. In 2013, Chengdu Information Technology Co., Ltd., or Chengdu Information, obtained approval from local tax authorities to apply the 15% tax rate for its 2012 tax filing and for the years from 2013 to 2016. In the event that the preferential tax treatment for these entities is discontinued, these entities will become subject to the standard tax rate at 25%, which would materially increase our tax obligations.

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

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

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

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

We could be liable for breaches of Internet security or fraudulent transactions by users of our websites.

The Internet industry is facing significant challenges regarding information security and privacy, including the storage, transmission and sharing of confidential information. In recent years, PRC government authorities have enacted legislation on Internet use to protect personal information from any unauthorized disclosure. See Item 4. Information on the Company B. Business Overview PRC Government Regulations Internet Privacy. We conduct a majority of our transactions through the Internet (including through our websites and mobile apps). In such transactions, secured transmission of confidential information (such as customers itineraries, hotel and other reservation information, credit card information, personal information and billing addresses) over public networks and ensuring the confidentiality, integrity, availability and authenticity of the information of our users, customers, hotel suppliers and airline partners is essential to maintain their confidence in our online products and services. Our current security measures may not be adequate and may contain deficiencies that we fail to identify, and advances in technology, increased levels of expertise of hackers, new discoveries in the field of cryptography or others could increase our vulnerability. For example, a third-party website with focus on Internet security information exchange released a news in March 2014 that as a result of a temporary testing function performed by us, certain data files containing customers credit card information had been stored on local servers maintained by us, which may lead to potential exposure of these customers information to hackers. We removed the cause of the potential security concern within two hours and then examined all other possible leaks and found that 93 customers credit card information might have been downloaded by the above-mentioned website for the purpose of confirming potential risks. Although to our knowledge, no customer has suffered financial loss or other damage due to the incident as of the date of this report, our business, results of operations, user experience and reputation may be materially and adversely affected if similar incidents related to Internet security recur in the future. In August 2011, China s Supreme People s Court and Supreme People s Procuratorate issued judicial interpretations regarding hacking and other Internet crimes. However, its effect on curbing hacking and other illegal online activities still remains to be seen.

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

We may be the subject of detrimental conduct by third parties including complaints to regulatory agencies, negative blog postings, and the public dissemination of malicious assessments of our business, which could have a negative impact on our reputation and cause us to lose market share, travel suppliers and customers and revenues, and adversely affect the price of our ADSs.

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

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We have limited business insurance coverage in Greater China.

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

We engage celebrities to be our brand ambassadors to market our brands and products.

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

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

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

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

Since 2006, we have accounted for share-based compensation in accordance with ASC 718 Compensation Stock Compensation, or ASC 718, which requires a public company to recognize, as an expense, the fair value of share options and other share-based compensation to employees based on the requisite service period of the share-based awards. We have granted share-based compensation awards, including share options and restricted share units, to employees, officers and directors to incentivize performance and align their interests with ours. We have adopted four share incentive plans, namely, the 2007 Share Incentive Plan, or the 2007 Plan, the 2005 Employee s Stock Option Plan, or the 2005 Plan, the 2003 Employee s Option Plan, or the 2003 Plan, and the 2000 Employee s Stock Option Plan, or the 2000 Plan. Under the 2007 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to awards was 8,000,000 as of the first business day of 2014, with annual increases of 1,000,000 ordinary shares on the first business day of each subsequent calendar year until the termination of the plan. As a result of these grants and potential future grants, we had incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based awards.

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

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

We are subject to the reporting obligations under the U.S. securities laws. The U.S. Securities and Exchange Commission, or the SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring public companies to include a report of management on the effectiveness of such companies internal control over financial reporting in its annual report. In addition, an independent registered public accounting firm for a public company must issue an attestation report on the effectiveness of the company s internal control over financial reporting. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of December 31, 2013. In addition, our independent registered public accounting firm attested the effectiveness of our internal control and reported that our internal control over financial reporting was effective as of December 31, 2013. If we fail to maintain the effectiveness of our internal control over financial reporting, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, effective internal control over financial reporting is necessary for us to produce reliable financial reports. As a result, any failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could negatively impact the trading price of our ADSs. Furthermore, we may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

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

We believe that our current cash and cash equivalents, short-term investments, cash flow from operations and proceeds from our financing activities will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. In particular, the recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all.

Risks Related to Our Corporate Structure

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

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

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

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

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Under the equity pledge agreements between our subsidiaries and the shareholders of our affiliated Chinese entities, the shareholders of our affiliated Chinese entities pledged their respective equity interests in these entities to our subsidiaries. Such pledges were duly created by recording the pledge in the relevant affiliated Chinese entities register of shareholders in accordance with the PRC Collateral Law. However, according to the PRC Property Rights Law, effective as of October 1, 2007, and the Measures for the Registration of Equity Pledge with the Administration for Industry and Commerce, effective as of October 1, 2008, the effectiveness of the pledges will be denied if the pledges are not registered with the Administration for Industry and Commerce. Our affiliated Chinese entities and our subsidiaries have registered all equity pledges. The effectiveness of the pledges will be recognized by PRC courts if disputes arise on certain pledged equity interests and that our subsidiaries interests as pledgees will prevail over those of third parties.

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

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

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

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

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

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

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

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Our subsidiaries and affiliated Chinese entities in China are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our subsidiaries in China and consulting and other fees paid to us by our affiliated Chinese entities. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our subsidiaries in China are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the subsidiaries registered capital. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries and affiliated Chinese entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

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

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

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

Risks Related to Doing Business in China

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

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

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

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

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

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. The conversion of the Renminbi into foreign currencies, including the U.S. dollar, has been based on rates set by the People s Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. As a consequence, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June, 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

The majority of our revenues and costs are denominated in Renminbi, while a portion of our financial assets and our dividend payments are denominated in U.S. dollars. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk. Any significant revaluation of the Renminbi or the U.S. dollar may adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our ADSs. For example, an appreciation of the Renminbi against the U.S. dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. An appreciation of the Renminbi against the U.S. dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar-denominated financial assets into Renminbi, our reporting currency. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

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

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

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

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

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

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

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

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

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

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

- consumer dependence on traditional means of commerce;
- inexperience with the Internet as a sales and distribution channel;
- inadequate development of the necessary infrastructure to facilitate online commerce;
- concerns about security, reliability, cost, ease of deployment, administration and quality of service associated with conducting business and settling payment over the Internet;
- inexperience with credit card usage or with other means of electronic payment; and
- limited use of personal computers.

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

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

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

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

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

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

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

In September 2012, we completed an offering of US$180 million in aggregate principal amount of convertible senior notes due 2017. In October 2013, we completed another offering of US$800 million in aggregate principal amount of convertible senior notes due 2018. As an offshore holding company, our ability to make loans or additional capital contributions to our PRC operating subsidiaries is subject to PRC regulations and approvals. These regulations and approvals may delay or prevent us from using the proceeds we received in the past or will receive in the future from the offerings of securities to make loans or additional capital contributions to our PRC operating subsidiaries, and impair our ability to fund and expand our business which may adversely affect our business, financial condition and result of operations.

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For example, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or Circular 142, on August 29, 2008. Under Circular 142, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC. In addition, foreign-invested companies may not change how they use such capital without SAFE s approval, and may not in any case use such capital to repay RMB loans if they have not used the proceeds of such loans. Furthermore, SAFE promulgated a circular on November 9, 2010, Circular 59, which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. In addition, to strengthen Circular 142, on November 9, 2011 the SAFE promulgated the Circular on Further Clarifying and Regulating Relevant Issues Concerning the Administration of Foreign Exchange under Capital Account, or Circular 45, which prohibits a foreign invested company from converting its registered capital in foreign exchange currency into RMB for the purpose of making domestic equity investments, granting entrusted loans, repaying inter-company loans, and repaying bank loans that have been transferred to a third party. Circular 142, Circular 59 and Circular 45 may significantly limit our ability to transfer the net proceeds from offerings of our securities or any future offering to our PRC subsidiaries and convert the net proceeds into RMB, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

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

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

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

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

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

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

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

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

In December 2012, the SEC brought administrative proceedings against five accounting firms, including our independent registered public accounting firm, in China, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC for potential accounting fraud. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. The accounting firms have the ability to appeal and the four firms which are subject to the six month suspension from practicing before the SEC have indicated that they will appeal. The sanction will not become effective until after a full appeal process is concluded and a final decision is issued by the SEC. The accounting firms can also further appeal the final decision of the SEC through the federal appellate courts. We are not involved in the proceedings brought by the SEC against the accounting firms. However, our independent registered public accounting firm is one of the four accounting firms subject to the six month suspension from practicing before the SEC in the initial administrative law decision. We may therefore be adversely affected by the outcome of the proceedings, along with other U.S.-listed companies audited by these accounting firms.

On May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the Ministry of Finance which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. However, it is not clear how these recent developments could affect the SEC s final decision in the case against the five accounting firms or any subsequent appeal to courts that the accounting firms may initiate. Therefore, it is difficult to determine the final outcome of the administrative proceedings and the potential consequences thereof.

If our independent registered public accounting firm were denied, temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to not be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to delisting of our ADSs from the NASDAQ Global Select Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Risks Related to Our Ordinary Shares and ADSs

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

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

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

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

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

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2013 Revision) and common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States. Therefore, our public shareholders may have more difficulties in protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

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

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

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

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

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

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

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

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

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. We have no obligation to register ADSs, ordinary shares, rights or other securities under U.S. securities laws. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive the distribution we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

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

Your ADSs represented by the ADRs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary thinks it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

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

We may be classified as a passive foreign investment company, which could result in adverse United States federal income tax consequences for U.S. Holders.

Based on the market price of our ADSs and ordinary shares, the value of our assets, and the composition of our assets and income, we do not believe that we were a passive foreign investment company (a PFIC) for United States federal income tax purposes for our taxable year ended December 31, 2013 and, although no assurances can be made in this regard and assuming we use a substantial portion of the cash raised in our October 2013 convertible notes offering in our business in the early part of this year, we do not expect to be one for our taxable year ending December 31, 2014 or become one in the foreseeable future. Nevertheless, the application of the PFIC rules is subject to ambiguity in several respects and, in addition, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2014 or for any future taxable year.

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced our business in June 1999. In March 2000, we established a new holding company, Ctrip.com International, Ltd., in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Since our inception, we have conducted the majority of our operations in China and expanded our operations overseas in 2009. As of December 31, 2013, we mainly operated our business through the following significant subsidiaries:

- C-Travel International Limited;
- Ctrip.com (Hong Kong) Limited;
- Ctrip Computer Technology (Shanghai) Co., Ltd., or Ctrip Computer Technology;
- Ctrip Travel Information Technology (Shanghai) Co., Ltd., or Ctrip Travel Information;
- Ctrip Travel Network Technology (Shanghai) Co., Ltd., or Ctrip Travel Network;
- Ctrip Information Technology (Nantong) Co., Ltd., or Ctrip Information Technology;
- China Software Hotel Information System Co., or Software Hotel Information;
- ezTravel Co., Ltd., or ezTravel; and
- HKWOT (BVI) Limited, or Wing On Travel.

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

- Shanghai Ctrip Commerce Co., Ltd., or Ctrip Commerce, which holds value-added telecommunications business license;

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

- Guangzhou Ctrip Travel Agency Co., Ltd., or Guangzhou Ctrip, which holds an air transport sales agency license, domestic and cross-border travel agency license;

- Shanghai Ctrip International Travel Agency Co., Ltd., or Shanghai Ctrip, formerly known as Shanghai Ctrip Charming International Travel Agency Co., Ltd., which holds domestic and cross-border travel agency and air transport sales agency licenses;

- Shenzhen Ctrip Travel Agency Co., Ltd., or Shenzhen Ctrip, which holds an air transport sales agency license, domestic travel agency license;

- Ctrip Insurance Agency Co., Ltd., or Ctrip Insurance, which holds an insurance agency business license;

- Shanghai Huacheng Southwest Travel Agency Co., Ltd., or Shanghai Huacheng, which holds domestic travel agency and air transport sales agency licenses;

- Chengdu Ctrip Travel Agency Co., Ltd, or Chengdu Ctrip, a wholly owned subsidiary of Shanghai Ctrip, which holds air transport sales agency license and domestic travel agency license; and

- Chengdu Ctrip International Travel Agency Co., Ltd, or Chengdu Ctrip International, a wholly owned subsidiary of Shanghai Ctrip, which holds domestic and cross-border travel agency licenses, air transport sales agency license.

We formed Home Inns & Hotels Management (Hong Kong) Limited, or Home Inns Hong Kong, in 2001 to expand our business to include the hotel management service. We spun off all of our interest in Home Inns Hong Kong in August 2003. Home Inns Hong Kong became a wholly owned subsidiary of Home Inns in June 2006. Home Inns undertook an initial public offering and its ADSs were listed on the NASDAQ Global Market in October 2006. During the period from September 12, 2008 to March 31, 2009, we purchased ADSs of Home Inns on the open market representing approximately 10% of the then total outstanding ordinary shares of Home Inns. In May 2009, we entered into a purchase agreement with Home Inns to acquire additional equity interest in Home Inns through a private placement of its ordinary shares for $50 million in cash. In connection with this private placement, we have also obtained certain demand, piggyback and Form F-3 registration rights from Home Inns. Our aggregate equity interest in Home Inns was approximately 15.39% of the total outstanding ordinary shares of Home Inns as of December 31, 2013.

In March 2006, we formed a wholly owned subsidiary, C-Travel International Limited, an exempted company with limited liability incorporated in the Cayman Islands, in connection with our investment in a minority stake in ezTravel Co., Ltd., or ezTravel, an online travel service provider in Taiwan that offers packaged tours as well as hotel and airline ticket reservation services. In 2009, we consolidated ezTravel s operating results because we had a controlling financial interest of ezTravel. The financial results of ezTravel are not significant to our company in the year ended December 31, 2013.

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

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

In May 2010, pursuant to a sale and purchase agreement dated February 3, 2010 among Wing On Travel (Holdings) Limited, C-Travel International Limited and Ctrip.com International, Ltd., we acquired 90% of the issued share capital of Wing On Travel s travel service segment (operated through Wing On Travel s subsidiary, HKWOT (BVI) Limited), for a total consideration of approximately US$88 million in cash, and began to consolidate its financial results since then. In February 2012, we entered into a sale and purchase agreement to purchase the remaining 10% of the issued share capital of HKWOT (BVI) Limited for a total consideration of US$9.4 million. The financial results of Wing On Travel were not significant to our company in the year ended December 31, 2013.

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In October 2013, we entered into share purchase agreements to acquire 20.0% equity stake of Easy Go Inc., or Easy Go, by subscribing its Series B convertible preferred shares with a total consideration of US$23 million.

In December 2013, we entered into a share purchase agreement with eHi Auto Services Limited, or eHi, one of the largest car rental companies in China, to acquire a 19.6% equity stake by subscribing its Series E convertible preferred shares with a total consideration of US$94.05 million.

In December 2013, we acquired approximately 4% equity shares in Keystone Lodging Holdings Limited, or Keystone, which for a total purchase price of approximately US$25.5 million. Keystone in 2013 merged in 2013 with 7 Days Group Holdings Limited, or 7 Days, a leading economy hotel chain based in China.

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

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

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

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

B. Business Overview

We are a leading travel service provider for hotel accommodations, ticketing services, packaged tours and corporate travel management in China. We aggregate hotel and flight information to enable business and leisure travelers to make informed and cost-effective bookings. We also help customers book tour packages and guided tours. In addition, our corporate travel management services help corporate clients effectively manage their travel requirements. Since commencing operations in 1999, we have experienced substantial growth and become one of the best-known travel brands in China. We pioneered the development of a reservation and fulfillment infrastructure that enables our customers to:

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

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

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We believe that we are the largest consolidator of hotel accommodations in China in terms of the number of room nights booked. As of December 31, 2013, we had secured room supply relationships with approximately 70,000 hotels in China and approximately 277,000 hotels abroad, which cover a broad range of hotels in terms of price and geographical location. Through strategic cooperation arrangements with other leading online hotel reservation service providers in recent years, we expanded our overseas hotel network by gaining access to more international hotels on these platforms through our hotel reservation services. The quality and depth of our hotel supplier network enable us to offer our customers a wide selection of hotel accommodations. We believe our ability to offer reservations at highly rated hotels is particularly appealing to our customers.

We believe that we are one of the largest consolidator of airline tickets in China in terms of the total number of airline tickets booked and sold. Our airline ticket suppliers include all major Chinese airlines and many international airlines that operate flights originating in cities at home and abroad. We are among the few airline ticket consolidators in China that maintain a centralized reservation system and ticket fulfillment infrastructure covering substantially all of the economically prosperous regions of China. Our customers can make flight reservations on their chosen routes through mobile platform, internet websites and customer service centers and arrange electronic payment.

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

We offer our services to customers through an advanced transaction and service platform consisting of our centralized, 24-hour customer service centers, multi-lingual websites and mobile platform. In 2013, transactions effected through our customer service centers accounted for approximately 40% of our transaction volume, while our websites and mobile platform accounted for the balance.

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

Products and Services

We began offering hotel reservation and ticketing services in October 1999. In 2013, we derived approximately 39% of our revenues from the hotel reservation business and 38% of our revenues from the ticketing services business. In addition, we offer other products and services including packaged tours, mostly bundled by us, that cover hotel, ticketing and transportation as well as corporate travel management services.

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

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

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

As of December 31, 2013, we had contracted with approximately 70,000 hotels in China, of which a majority have guaranteed room allotments, allowing us to sell rooms to our customers even during peak seasons and provide instant confirmation. Rooms booked in hotels with which we have a guaranteed allotment arrangement currently account for a significant part of our total hotel room transaction volume. With the remaining hotel suppliers, we book rooms on an on-request basis, meaning our ability to secure hotel rooms for our customers is subject to room availability at the time of booking.

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Ticketing Services. Ticketing services revenues mainly represent revenues from reservation of air tickets, railway-tickets and other related services. We sell air tickets as an agent for all major domestic Chinese airlines, such as Air China, China Eastern Airlines, China Southern Airlines and Hainan Airlines and many international airlines operating flights that originate from cities at home and abroad, such as Cathay Pacific, Singapore Airlines, American Airlines, Lufthansa, Emirates Airlines, Qantas Airways, Air France-KLM and Delta Air Lines. We also provide other related service to our customers, such as sales of aviation and train insurance, air-ticket delivery services, online check-in, and other value-added services, such as online seat selection and flight dynamics.

Our customers can book tickets through our mobile platform, internet websites and customer service centers and make payment electronically. The airline industry, including airline ticket pricing, is regulated by CAAC. Therefore, we have no discretion in offering discounts on the air tickets we sell.

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

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

Other Products and Services. Our other products and services include the sale of Property Management System, or PMS, and related maintenance service. We also offer advertising services, which principally represent the sale of banner advertisements or sponsorship on our websites. Other products and services accounted for a small portion of our total revenues in 2013.

Strategic Investments and Acquisitions

To maintain and strengthen our leading market position in China and to become a major travel service provider in the Greater China market, we constantly evaluate opportunities for strategic investments in, and acquisitions of, complementary businesses, assets and technologies and have made such investments and acquisitions from time to time. For example, in 2008 and 2009, we acquired an aggregate of approximately 18% of the total outstanding ordinary shares of Home Inns, a leading economy hotel chain in China. As of December 31, 2013, those shares we purchased represented approximately 15.39% of the total outstanding shares of Home Inns. In 2009, we acquired a controlling financial interest in ezTravel. In March 2010, we acquired approximately 9% of the total equity interest in Hanting, a leading economy hotel chain in China. In May 2010 and February 2012, we acquired 90% and the remaining 10% of the issued share capital of Wing On Travel s travel service segment (operated through Wing On Travel s subsidiary, HKWOT (BVI) Limited), respectively. In December 2013, we acquired a 19.6% equity stake of eHi, one of the largest car rental companies in China. In December 2013, we acquired approximately 4% equity shares in Keystone, which merged with 7 Days, a leading economy hotel chain based in China.

Seasonality

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

Transaction and Service Platform

Our customers can reach us for their travel-related needs through either our mobile platform, our multi-lingual websites or our customer service centers. In 2013, transactions executed through our websites and mobile platform combined accounted for more than 60% of our total transactions, compared with 50% in 2012.

Mobile Platform. Our mobile booking software provides one-stop travel platform to our customers who search for hotels, flight, travel, train, car rental and ticket products, and completes bookings within minutes. Mobile applications enable our customers to make bookings more efficiently and have fueled our business growth in new direction. Our customers can also search for travel-related editorial content about destinations and travel tips through the mobile platform. Moreover, travelers can share their travel experience and micro-blogs with others through Ctrip community. We first introduced mobile applications in 2010. Since then we have upgraded mobile applications and added new functions into it on a regular basis. Cumulative downloads for Ctrip mobile app exceeded 100 million by December 31, 2013 with a significant portion of our hotel and air transaction executed on it on a daily basis.

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

Internet Websites. Through our Internet websites, we continue improving shopping experience in hotel accommodations, flight tickets, vacation packages, train tickets, and other travel products to our customers. In 2013, we have launched new businesses in ticket products, car rental, cruise, dynamically-bounded flight and hotel products and gift cards. Today, more than half of online travel bookings are generated through websites.

We have upgraded our open platform in 2013, so that our suppliers and partners are connected to Ctrip more efficiently. We have opened up our system to international partners, search engines, e-commerce websites and affiliated websites to expand business opportunities. We have made great efforts to enhance our price competitiveness by improving the efficiency of our IT system and by working closely with airlines and partners through the open platform.

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

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

Customer Service Centers. We have two customer service centers located in Shanghai and Nantong, respectively, and they operate 24 hours a day, seven days a week. Unlike some companies in the United States that outsource their customer service to third-party call centers, our customer service representatives are in-house travel specialists. All of our customer service representatives participated in a formal training program before commencing work.

Marketing and Brand Awareness

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

Online Marketing. We have contracted many of the leading Internet search engines in China to prominently feature our websites and have cooperated with online companies to promote our services, as well as conducting public relations activities. We have purchased related keywords or directory links to direct potential customers to our websites.

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

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

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

Supplier Relationship Management

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

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

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Technology and Infrastructure

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

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

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

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

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

Competition

In the hotel consolidation market, we compete primarily with local and foreign invested consolidators of hotel accommodations. We also compete with new internet travel search websites and service provider platforms and traditional travel agencies. We believe that the hotel room booking volume from FITs of our main competitors is significantly lower than ours. However, as the travel business in China continues to grow, we may face competition from new players in the hotel consolidation market in China and foreign travel consolidators that may enter the China market.

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

Intellectual Property

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

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

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In early 2008, (Chinese characters for Ctrip) was recognized as a Famous Chinese Trademark, which is the highest recognition for consumer brands granted by the SAIC. With these recognitions, we believe our trademark will be rigorously and actively protected by Industrial and Commercial Bureaus at both local and national levels. In early 2009, (Chinese characters for Ctrip) was recognized as a Shanghai Well-known Brand, which is also a high recognition for consumer brands granted by the Shanghai municipal government. In 2011, we were selected by Fortune China as one of the Most Admired Companies in China, among which we were the only travel service company. In 2012, we got the World Travel Market Globe Award , which is a global famous award, and were also awarded the Lifelong Honor , which is the highest recognition of Earphone Mic Cup . In 2013, we were selected by WPP as one of the BrandZ Top 50 in China and we were selected by Forbes Asia as one of the Region s Top 200 Small-and-mid Size Companies .

PRC Government Regulations

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the air-ticketing, travel agency, advertising and value-added telecommunications businesses in China. As a result, we conduct these businesses in China through contractual arrangements with our affiliated PRC entities as well as certain independent air-ticketing agencies and travel agencies. Our vice chairman of the board and president, Min Fan and our officers, Dongjie Guo and Maohua Sun all of whom are PRC citizens, directly or indirectly own all or most of the equity interests in our affiliated Chinese entities as of the date of this report.

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

Restrictions on Foreign Ownership

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

Travel Agency. Currently, foreign investors have been permitted to establish or own a travel agency upon the approval of the PRC government, subject to considerable restrictions as to its scope of business. For examples, under the current Travel Agency Regulations, which became effective on May 1, 2009, foreign-invested travel agencies cannot arrange for mainland residents to travel overseas or to Hong Kong, Macau and Taiwan, unless otherwise decided by the State Council or allowed under the Free Trade Agreement executed by the PRC government or according to the Closer Economic Partnership Arrangement between Mainland China and Hong Kong or Macau (CEPA). According to the CEPAs, starting from January 1, 2013, travel agencies in which Hong Kong or Macau qualified investors hold an interest are permitted to arrange group travel for the residents in local regions from mainland China to Hong Kong and Macau and on trial basis, one qualified sino-foreign joint venture, in which Hong Kong qualified investors hold an interest, and one qualified sino-foreign joint venture, in which Macau qualified investors hold an interest, are permitted to arrange group travel for domestic residents to travel overseas, which does not include Hong Kong, Macau and Taiwan. On August 29, 2010, the National Tourism Administration and the Ministry of Commerce further promulgated the Temporary Administration Rules for Sino-Foreign Joint Invested Travel Agencies to Operate Trip to Overseas Business for Trial, according to which the State Tourism Administration may choose and approve certain qualified sino-foreign joint venture travel agencies to operate business of arranging mainland resident travelling to overseas destinations, Hong Kong and Macau, on a trial basis, except for Taiwan.

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

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

- Administrative Rules for Foreign Investments in Telecommunications Enterprises (2008 Revision); and

- Foreign Investment Industrial Guidance Catalogue (2011).

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

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

General Regulation of Businesses

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

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

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

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

- Travel Agency Regulations, effective as of May 1, 2009; and

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

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

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

- Advertising Law (1994);

- Administration of Advertising Regulations (1987); and

- Implementing rules of the Administration of Advertising Regulations (2004).

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

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

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

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

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

Internet Privacy

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

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

In addition, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, which became effective as of March 15, 2012. This regulation stipulates that Internet information services providers must not, without users consent, collect information on users that can be used, alone or in combination with other information, to identify the user, or User Personal Information, and may not provide any User Personal Information to third parties without prior user consent. Internet information services providers may only collect User Personal Information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such User Personal Information. In addition, an Internet information services provider may use User Personal Information only for the stated purposes under its scope of services. The Internet information services providers are also required to ensure the proper security of User Personal Information, and take immediate remedial measures if User Personal Information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, they must immediately report the incident to the telecommunications regulatory authorities and cooperate with the authorities in their investigations. Furthermore, on December 28, 2012, the Standing Committee of the National People s Congress enacted the Decision to Enhance the Protection of Network Information, or the Information Protection Decision, to further enhance the protection of users personal information in electronic form. The Information Protection Decision provides that Internet information services providers must expressly inform their users of the purpose, manner and scope of their collection and use of users personal information, publish their standards for their collection and use of users personal information, and collect and use users personal information only with the consent of the users and only within the scope of such consent. The Information Protection Decision also mandates that the Internet information services providers and their employees must keep strictly confidential users personal information that they collect, and that they must take such technical and other measures as are necessary to safeguard the information against disclosure, damages and loss. Pursuant to the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes.

Regulation of Foreign Currency Exchange and Dividend Distribution

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

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

Under the current PRC regulations, loans, either from us or from third-party sources outside of China, incurred by our subsidiaries in China to finance their activities cannot exceed statutory limits, which equal the difference between the respective approved total investment amount and the registered capital of such PRC subsidiaries, and must be registered with the SAFE or its local branches. In the past, our subsidiaries have mainly funded their operations and cash needs from our initial capital injections and cash generated from such subsidiaries operations. Historically, we have extended two loans to two of our PRC subsidiaries in the amount of US$11.0 million and US$7.5 million, respectively, which are within the respective statutory limit of these two PRC subsidiaries. As of December 31, 2013, the loan in the amount of US$7.5 million was fully repaid and the loan in the amount of US$11.0 million had an outstanding balance of US$5.6 million. Other than these discussed above, none of the Company s PRC subsidiaries had any outstanding loans as of December 31, 2013. Based on the capital needs and cash generated from operations of our PRC subsidiaries, we do not believe that our PRC subsidiaries would need to incur substantial debts to fund their respective operations in China in the near future, and even if they need to incur debts, they could manage to obtain short-term loans from PRC banks and financial institutions, which are not subject to the statutory limits referenced above. We currently do not believe, based on the above, that the statutory debt limits on our subsidiaries in China are material to our operations in China, and we do not believe it to be reasonably likely that our PRC subsidiaries would need to incur debts exceeding their respective statutory debt limit.

SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or Circular 142, on August 29, 2008. Under Circular 142, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC. In addition, foreign-invested companies may not change how they use such capital without SAFE s approval, and may not in any case use such capital to repay RMB loans if they have not used the proceeds of such loans. Furthermore, SAFE promulgated a circular on November 9, 2010, or Circular 59, which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. In addition, to strengthen Circular 142, on November 9, 2011 the SAFE promulgated the Circular on Further Clarifying and Regulating Relevant Issues Concerning the Administration of Foreign Exchange under Capital Account, or Circular 45, which prohibits a foreign invested company from converting its registered capital in foreign exchange currency into RMB for the purpose of making domestic equity investments, granting entrusted loans, repaying inter-company loans, and repaying bank loans that have been transferred to a third party. Circular 142, Circular 59 and Circular 45 may significantly limit our ability to transfer the net proceeds from offerings of our securities to our PRC subsidiaries and convert the net proceeds into RMB, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

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

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

- Company Law of the PRC (2005), as amended in 2014; and

- Enterprise Income Tax Law and its Implementation Rules (2007).

Under these regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, unless such reserve funds have reached 50% of their respective registered capital. These reserves are not distributable as cash dividends.

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

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

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

Regulation of Income Taxes and Financial Subsidies. See Item 5. Operating and Financial Review and Prospects Income Taxes and Financial Subsidies.

C. Organizational Structure

The following table sets out the details of our significant subsidiaries as of December 31, 2013:

Name	**Country of Incorporation**	**Ownership Interest**
C-Travel International Limited	Cayman Islands	100%
Ctrip.com (Hong Kong) Limited	Hong Kong	100%
Ctrip Computer Technology (Shanghai) Co., Ltd.	China	100%
Ctrip Travel Information Technology (Shanghai) Co., Ltd.	China	100%
Ctrip Travel Network Technology (Shanghai) Co., Ltd.	China	100%
Ctrip Information Technology (Nantong) Co., Ltd.	China	100%
HKWOT (BVI) Limited	BVI	100%
ezTravel Co., Ltd.	Taiwan	97%
China Software Hotel Information System Co., Ltd.	China	90%

We are a holding company incorporated in the Cayman Islands and rely on dividends from our subsidiaries in China and consulting and other fees paid to our subsidiaries by our affiliated Chinese entities. We conduct a majority of our business through our wholly owned subsidiaries in China. Due to the current restrictions on foreign ownership of air-ticketing, travel agency, online advertising and value-added telecommunications businesses in China, we have conducted part of our operations in these businesses through a series of contractual arrangements between our PRC subsidiaries and our consolidated affiliated Chinese entities. Our significant consolidated affiliated Chinese entities included Ctrip Commerce, Shanghai Huacheng, Shanghai Ctrip, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip, Ctrip Insurance, Chengdu Ctrip and Chengdu Ctrip International as of December 31, 2013. In early 2013, we amended and restated the contractual arrangements that we previously entered into with our consolidated affiliated Chinese entities in order to further strengthen our ability to control these entities and receive substantially all of the economic benefits from them. Moreover, we plan to enter into the same series of agreements with all of our future affiliated Chinese entities. These amended and restated contractual arrangements were disclosed in our last year s report.

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

D. Property, Plants and Equipment

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

We have acquired the land use right to a piece of land in Nantong, Jiangsu Province in early 2008 for approximately RMB49 million. Nantong is approximately 110 kilometers north of Shanghai. In September 2008, we announced the commencement of construction of the Nantong customer service center. In December 2008, we entered into a construction agreement with Shanghai No. 1 Construction Co., Ltd. to construct the Nantong customer service center. The total contract value of the construction agreement was approximately RMB296 million. The aggregate investment for the Nantong customer service center including land costs, construction costs and other improvement costs, was approximately RMB447 million. We funded the construction from our operating cash flow. Nantong customer service center began operations in May 2010.

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To support future business expansion, we acquired the land use right to a piece of land measuring approximately 9,000 square meters in Chengdu, Sichuan province in November 2011 for approximately RMB10 million, and plan to build our regional head office on this land. The construction commenced in 2011 and was completed in the early 2014. The total investment including the land use right was approximately RMB270 million (US$45 million). In 2012, we completed the purchase of a part of an office building in Shanghai for approximately RMB392 million (US$63 million) and an office building of approximately 8,857 square meters in Beijing for approximately RMB160 million (US$26 million). In 2013, we entered into an agreement to purchase an office building in Shanghai for approximately RMB590 million (US$97 million) including related taxes, of which RMB264 million (US$44 million) have been paid. The purchase is expected to complete in 2014. All of the abovementioned amounts were fully paid from our operating cash flow.

ITEM 4A UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. Operating Results

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

In 2013, we derived 39%, 38%, 16%, 5% and 2% of our total revenues from our hotel reservation, ticketing services, packaged tour, corporate travel and other products and services, respectively.

Major Factors Affecting the Travel Industry

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

Growth in the Overall Economy and Demand for Travel Services in China. We expect that our financial results will continue to be affected by the overall growth of the economy and demand for travel services in China and the rest of the world. According to the statistical report published on the website of National Bureau of Statistics of China on February 24, 2014, the gross domestic product, or GDP, of China grew from RMB33.5 trillion (US$4.9 trillion) in 2009 to RMB56.9 trillion (US$9.4 trillion) in 2013, representing a compound annual growth rate of 14.1%. GDP per capita in the same period rose from RMB25,125 (US$3,681) to RMB41,805 (US$6,906), representing a 13.6% compound annual growth rate. This growth led to a significant increase in the demand for travel services.

According to the statistical report published on the website of National Bureau of Statistics of China on February 24, 2014, domestic tourism spending grew from RMB1,018.4 billion (US$149.2 billion) in 2009 to RMB2,627.6 billion (US$434 billion) in 2013, representing a compound annual growth of 26.7%. We anticipate that demand for travel services in China will continue to increase in the foreseeable future as the economy in China continues to grow. However, any adverse changes in economic conditions of China and the rest of the world, such as the current global financial crisis and economic downturn, could have a material adverse effect on the travel industry in China, which in turn would harm our business.

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

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

- the outbreak of HIN1 influenza, avian flu, SARS or any other serious contagious diseases;
- increased prices in the hotel, airline or other travel-related industries;
- increased occurrence of travel-related accidents;
- political unrest;
- natural disasters or poor weather conditions;
- terrorist attacks or threats of terrorist attacks or war;
- any travel restrictions or security procedures implemented in connection with major events in China; and
- general economic downturns.

In early 2003, several regions in Asia, including Hong Kong and China, were affected by the outbreak of SARS. The travel industry in China, Hong Kong and some other parts of Asia suffered tremendously as a result of the outbreak of SARS. Furthermore, in early 2008, severe snowstorms hit many areas of China and particularly affected southern China. The travel industry was severely and adversely affected during and after the snowstorms. Additionally, in May 2008, a major earthquake struck China s populous Sichuan Province, causing great loss of life, numerous injuries, property loss and disruption to the local economy. The earthquake had an immediate impact on our business as a result of the sharp decrease in travel in the relevant earthquake-affected areas in Sichuan Province. In 2009, an outbreak of H1N1 influenza (swine flu) occurred in Mexico and the United States and human cases of the swine flu were discovered in China and Hong Kong. In March 2011, a powerful earthquake hit Japan, and the subsequent tsunami and nuclear accidents had far-reaching impact on the surrounding economies. In November 2013, one of the largest typhoons ever recorded hit the Philippines, causing widespread devastation. In October 2013, large scale political protests began in Thailand that lasted several months and caused disruption to tourism and travel. Our business and operating results were adversely affected in all cases.

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

Major Factors Affecting Our Results of Operations

Revenues

Revenues Composition and Sources of Revenue Growth. We have experienced significant revenue growth since we commenced operations in 1999. Our total revenues grew from RMB2.1 billion in 2009 to RMB5.7 billion (US$944 million) in 2013, representing a compound annual growth rate of 28%.

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

	Year-Ended December 31,		
	2011	**2012**	**2013**
Revenues:			
Hotel reservation	40%	39%	39%
Ticketing services	39%	38%	38%
Packaged-tour*	14%	16%	16%
Corporate travel	4%	4%	5%
Others	3%	3%	2%
Total revenues	100%	100%	100%

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

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

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

Hotel Reservation. Revenues from our hotel reservation business have been our primary source of revenues since our inception. In 2011, 2012 and 2013, revenues from our hotel reservation business accounted for RMB1.5 billion, RMB1.7 billion and RMB2.2 billion (US$366 million), respectively, or 40%, 39% and 39%, respectively, of our total revenues.

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

Ticketing Services. Since early 2002, our ticketing services business has been growing rapidly. In 2011, 2012 and 2013, revenues from our ticketing services business accounted for RMB1.4 billion, RMB1.7 billion and RMB2.2 billion (US$357 million), respectively, or 39%, 38% and 38%, respectively, of our total revenues.

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

Packaged-tour. Our packaged-tour business has grown rapidly in the past three years. In 2011, 2012 and 2013, revenues from our packaged-tour business accounted for RMB535 million, RMB690 million and RMB936 million (US$155 million), respectively. We conduct our packaged-tour business mainly through our consolidated affiliated Chinese entities, which bundle the packaged-tour products and receive referral fees from different travel suppliers for different components and services of the packaged tours sold through our transaction and service platform. Referral fees are recognized as revenues after the packaged-tour services are rendered. Our consolidated affiliated entities also, from time to time, act as principal in connection with the packaged-tour services provided by them. When they act as principal, they recognize gross amounts received from customers as revenues after the packaged-tour services are rendered.

Corporate Travel. Corporate travel revenues primarily include commissions from air ticket booking, hotel reservation and packaged-tour services rendered to corporate clients. In 2011, 2012 and 2013, revenues from our corporate travel services accounted for RMB162 million, RMB200 million and RMB267 million (US$44 million), respectively. Commissions from air-ticketing services rendered are recognized after air tickets are issued. Commissions from hotel reservation services rendered are recognized after hotel customers have completed their stay at the applicable hotel and upon confirmation of commissions amount by the hotel. Commissions from tour package services rendered are recognized after the packaged-tour services are rendered and collections are reasonably assured.

Other Products and Services. Our other products and services primarily consist of Internet-related advertising services, the sale of PMS and related maintenance service. We place our customers advertisements on our websites and in our introductory brochures. We conduct the advertising business through Ctrip Commerce, and we recognize revenues when Ctrip Commerce renders advertising services. We conduct PMS sale and maintenance business through Software Hotel Information. The sale of PMS is recognized upon customer s acceptance. Maintenance service revenue is recognized ratably over the term of the maintenance contract on a straight-line basis.

Cost of Revenues

Cost of revenues are costs directly attributable to rendering our revenues, which consist primarily of payroll compensation, telecommunication expenses, credit card charges and other direct expenses incurred in connection with our transaction and service platform. Payroll compensation accounted for 59%, 61% and 59% of our cost of revenues in 2011, 2012 and 2013, respectively. Telecommunication expenses accounted for 9%, 9% and 8% of our cost of revenues in 2011, 2012 and 2013, respectively. Credit card charges accounted for 20%, 19% and 19% of our cost of revenues in 2011, 2012 and 2013, respectively.

Cost of revenues accounted for 23%, 25% and 26% of our net revenues in 2011, 2012 and 2013, respectively. We believe our relatively low ratio of cost of revenues to revenues is primarily due to competitive labor costs in China and high efficiency of our customer service system. Our cost efficiency was further enhanced by our website operations, which require significantly fewer service staff to operate and maintain. The increase of percentage of cost of revenues over net revenues in 2013 was largely due to the increase in customer service personnel and the increases in the average payroll and benefit.

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Operating Expenses

Operating expenses consist primarily of product development expenses, sales and marketing expenses, general and administrative expenses, all of which include share-based compensation expense. In 2013, we recorded RMB438 million (US$72 million) of share-based compensation expense compared to RMB343 million and RMB432 million for 2011 and 2012, respectively. Share-based compensation expense is included in the same income statement category as the cash compensation paid to the recipient of the share-based award.

Product development expenses primarily include expenses we incur to develop our travel suppliers network and expenses we incur to develop, maintain and monitor our transaction and service platform. Product development expenses accounted for 17%, 22% and 23% of our net revenues in 2011, 2012 and 2013, respectively. The product development expenses as a percentage of net revenues in 2013 increased compared to that in 2012 primarily due to the increases in the number of product development personnel and the average payroll. In 2013, we increased expenditure on product development in response to competitive pressure in order to capture more business opportunities in new products and services as well as in new markets.

Sales and marketing expenses primarily comprise payroll compensation and benefits for our sales and marketing personnel, advertising expenses, commissions for our marketing partners for referring customers to us, and production costs of marketing materials and membership cards. Our sales and marketing expenses accounted for 18%, 24% and 24% of our net revenues in 2011, 2012 and 2013, respectively. The sales and market expenses as a percentage of net revenues in 2013 remained consistent with that in 2012.

General and administrative expenses consist primarily of payroll compensation, benefits and travel expenses for our administrative staff, professional service fees, as well as administrative office expenses. Our general and administrative expenses accounted for 11%, 14% and 12% of our net revenues in 2011, 2012 and 2013, respectively. The decrease of general and administrative expenses as a percentage of net revenues in 2013 was primarily due to the efficiency in the use of resources.

Foreign Exchange Risk

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

Income Taxes and Financial Subsidies

Income Taxes. Our effective income tax rate was 20%, 31% and 26% for 2011, 2012 and 2013, respectively. Prior to December 31, 2007, pursuant to the applicable tax laws in China, companies established in China were generally subject to EIT at a statutory rate of 33%. The 33% EIT rate applied to our subsidiaries and affiliated Chinese entities established in China, except for our subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information, and our consolidated affiliated Chinese entity, Shenzhen Ctrip Travel Agency Co., Ltd., or Shenzhen Ctrip, as discussed below.

On March 16, 2007, the National People s Congress, the Chinese legislature, passed the new EIT Law, which became effective on January 1, 2008. The EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. Under the EIT Law, enterprises that were established before March 16, 2007 and already enjoy preferential tax treatments will (i) in the case of preferential tax rates, continue to enjoy the tax rates which will be gradually increased to the new tax rates within five years from January 1, 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term. For certain enterprises established in special economic zones, including Pudong New Area, a transitional preferential income tax rate of 18%, 20%, 22%, 24% and 25% for the respective five-year transition period is allowed. The increase in our effective income tax rate from 2011 to 2012 was primarily due to the provision of a 5% PRC withholding tax related to the dividends that our PRC subsidiaries paid to their direct parent, which is our Hong Kong subsidiary to fund the share repurchase program we announced in June 2012, and the increase in the amount of share-based compensation, which is not tax-deductible, as a percentage to our income before income tax expense as a whole. This was partially offset by the preferential tax treatment of certain affiliated Chinese entities. The decrease in our effective income tax rate from 2012 to 2013 was primarily due to the withholding tax accrued in 2012.

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

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

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- In 2011, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information reapplied for their qualification as high and new technology enterprise , which were approved by the relevant government authority. Thus, these four subsidiaries are entitled to a preferential EIT rate of 15% from 2011 to 2013.

- Shenzhen Ctrip enjoyed a preferential tax rate of 15% before 2008 as it is registered in Shenzhen, a special economic zone of China. Under the new EIT law, Shenzhen Ctrip was entitled to a transitional tax rate which gradually increased to 25% from 2008 to 2012. The applicable tax rate for Shenzhen Ctrip in 2010, 2011 and 2012 was 22%, 24% and 25%, respectively.

- In 2002, China s SAT started to implement preferential tax policy in China s western region, and companies located in applicable jurisdictions covered by the Catalogue of Encouraged Industries in the Western Region (initially effective through the end of 2010 and further extended to 2020) are eligible to apply for a preferential income tax rate of 15% if their businesses fall within the encouraged category of the policy. In 2012, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% tax rate for 2011 tax filing and for the year from 2012 to 2014. In 2013, Chengdu Information obtained approval from local tax authorities to apply the 15% tax rate for 2012 tax filing and for the year from 2013 to 2016. Such preferential tax treatment may be subject to change in near future due to the impending release of a new Catalog of Encouraged Industries in the Western Region.

In November 2011, the Ministry of Finance released Circular Caishui [2011] No. 111 mandating Shanghai to be the first city to carry out a pilot program of tax reform. Effective January 1, 2012, any entity in Shanghai that falls in the category of selected modern service industries was required to switch from being a business tax payer to become a value-added tax (VAT) payer, who is permitted to offset expenses incurred in providing the relevant services it provides from the taxable income. In May 2013, the Ministry of Finance released Circular Caishui [2013] No. 37 to extend the tax reform nationwide. Effective August 1, 2013, entities within transportation service and selected modern service industries will switch from a business tax payer to a value-added tax (VAT) payer. Ctrip Travel Network and Shanghai Commerce have been subject to VAT at a rate of 6% and stopped paying the 5% business tax from January 1, 2012 onwards. We do not expect this change to have a material impact on our consolidated results of operations.

Financial Subsidies. In 2011, 2012 and 2013, our subsidiaries in China received financial subsidies from the government authorities in Shanghai in the amount of approximately RMB73 million, RMB90 million and RMB120 million (US$20 million), respectively, which we recorded as other income upon cash receipt. Such financial subsidies were granted to us at the sole discretion of the government authorities. We cannot assure you that our subsidiaries will continue to receive financial subsidies in the future.

Critical Accounting Policies *and Estimates*

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

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

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

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

Goodwill, Intangible Assets and Long-Lived Assets. In addition to the original cost of goodwill, intangible assets and long-lived assets, the recorded value of these assets is impacted by a number of policy elections, including estimated useful lives, residual values and impairment charges. ASC 350 Intangibles Goodwill and Other, provides that intangible assets that have indefinite useful lives and goodwill will not be amortized but rather will be tested at least annually for impairment. ASC 350 also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its undiscounted future cash flow. For 2011, 2012 and 2013, we did not recognize any impairment charges for goodwill, intangible assets or long-lived assets based on the expanding and prospective business of our subsidiaries and affiliated Chinese entities. As of December 31, 2011, 2012 and 2013, there were no circumstances or events that indicated that the assets may be impaired. If different judgments or estimates had been utilized, material differences could have resulted in the amount and timing of the impairment charge.

Customer Rewards Program. We offer a customer rewards program that allows customers to receive travel awards and other gifts based on accumulated membership points that vary depending on the products and services purchased by the customers. Because we have an obligation to provide such travel awards and other gifts, we recognize liabilities and corresponding expenses for the related future obligations. As of December 31, 2011, 2012 and 2013, our accrued balance for the customer rewards program were approximately RMB162 million, RMB218 million and RMB285 million (US$47 million), respectively. Our expenses for the customer rewards program were approximately RMB128 million, RMB 157 million and RMB203 million (US$34 million) for the years ended December 31, 2011, 2012 and 2013. We estimate our liabilities under our customer rewards program based on accumulated membership points and our estimate of probability of redemption in accordance with the historical redemption pattern. If actual redemption differs significantly from our estimate, it will result in an adjustment to our liability and the corresponding expense.

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

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

Deferred Tax Valuation Allowances. We provide a valuation allowance on our deferred tax assets to the extent we consider it to be more likely than not that we will be unable to realize all or part of such assets. Our future realization of our deferred tax assets depends on many factors, including our ability to generate taxable income within the period during which temporary differences reverse or before our tax loss carry-forwards expire, the outlook for the Chinese economy and overall outlook for our industry. We consider these factors at each balance sheet date and determine whether valuation allowances are necessary. As of December 31, 2011, 2012 and 2013, we recorded deferred tax assets of RMB40 million, RMB62 million and RMB97 million (US$16 million), respectively. If, however, unexpected events occur in the future that would prevent us from realizing all or a portion of our net deferred tax assets, an adjustment would result in a charge to income in the period in which such determination was made. As of December 31, 2011, 2012 and 2013, it is more likely than not that the deferred tax assets resulting from the net operating losses of certain subsidiary will not be realized. Hence, we recorded valuation allowance against our gross deferred tax assets in order to reduce the deferred tax assets to the amount that is more likely than not to be realized.

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Allowance for doubtful accounts. Accounts receivable are recorded at the invoiced amount and do not bear interest. We review on a periodic basis for doubtful accounts for the outstanding trade receivable balances based on historical experience and information available. Additionally, we make specific bad debt provisions based on (i) our specific assessment of the collectability of all significant accounts; and (ii) any specific knowledge we have acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require us to use substantial judgment in assessing its collectability. As of the end of December 31, 2011, 2012 and 2013, the allowance for doubtful accounts was RMB5.0 million, RMB4.4 million and RMB5.9 million (US$974 thousand), respectively.

Results of Operations

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

[redacted]

Revenues:							
[redacted]							
Ticketing services	1,437,118	41	1,690,286	41	2,161,784	357,101	40
[redacted]							
Corporate travel	161,610	5	199,756	5	266,989	44,103	5
[redacted]							
Total revenues	3,726,304	107	4,409,192	106	5,717,018	944,384	106
[redacted]							
Net revenues	3,498,085	100	4,158,791	100	5,386,746	889,827	100
[redacted]							
Gross profit	2,692,955	77	3,121,000	75	3,999,979	660,749	74
[redacted]							
Product development(2)	(601,485)	(17)	(911,905)	(22)	(1,245,719)	(205,778)	(23)
[redacted]							
General and administrative(2)	(400,876)	(12)	(570,487)	(14)	(646,405)	(106,778)	(12)
[redacted]							
Income from operations	1,065,994	30	654,606	16	838,442	138,501	15
[redacted]							
Interest expense			(10,393)	0	(57,044)	(9,423)	(1)
[redacted]							
Income before income tax expense equity in income of affiliates and noncontrolling interest	1,289,621	37	950,694	23	1,144,589	189,073	21
[redacted]							
Equity in income of affiliates	57,525	2	34,343	1	55,554	9,176	1
[redacted]							
Less: Net income attributable to noncontrolling interests	(8,545)		23,895	1	91,917	15,184	2
[redacted]							

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

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

[redacted]							
Product development	(98,955)	(3)	(132,583)	(3)	(138,668)	(22,906)	(3)
[redacted]							
General and administrative	(195,645)	(6)	(243,246)	(6)	(250,157)	(41,323)	(5)

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

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2013 compared to 2012

Revenues

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

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

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

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

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

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

Business tax and related surcharges

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

Cost of Revenues

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

Operating Expenses

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

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

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

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

Equity in income of affiliates

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

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Interest Income

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

Interest Expense

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

Other Income

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

Income Tax Expense

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

2012 compared to 2011

Revenues

Total revenues were RMB4.4 billion (US$708 million) in 2012, an increase of 18% over RMB3.7 billion in 2011. This revenues growth was principally driven by the substantial volume growth in hotel room nights sold and air tickets sold in 2012.

Hotel Reservation. Revenues from our hotel reservation business increased by 15% to RMB1.7 billion (US$273 million) in 2012 from RMB1.5 billion in 2011, primarily driven by an increase of approximately 30% in hotel room nights sold and partially offset by approximately 12% decrease in blended commission per room night. Decrease in blended commission per room night is mainly due to increased penetration into lower star hotels in second- or third-tier cities as well as the promotional activities we launched for selected hotels mainly in the forms of e-coupons and groupbuys.

Ticketing Services. Revenues from our ticketing services business increased by 18% to RMB1.7 billion (US$271 million) in 2012 from RMB1.4 billion in 2011, primarily due to strong growth of air tickets sales volume as we continued to significantly expand our air ticketing capabilities in 2012. The total number of air tickets sold in 2012 increased by 20% from 2011.

Packaged-tour. Packaged-tour revenues increased by 29% to RMB690 million (US$111 million) in 2012 from RMB535 million in 2011, primarily due to the continued growth of our packaged-tour business product and service offerings.

Corporate Travel. Corporate travel revenues increased by 24% to RMB200 million (US$32 million) in 2012 from RMB162 million in 2011, primarily due to the increased corporate travel demand from our corporate clients.

Other Businesses. Revenues from other businesses increased by 20% to RMB127 million (US$20 million) in 2012 from RMB106 million in 2011, primarily due to the increased revenues from advertising services.

Business tax and related surcharges

Our business tax and related surcharges increased by 10% to RMB250 million (US$40 million) in 2012 from RMB228 million in 2011 as a result of the increases in revenues in all of our business lines.

Cost of Revenues

Cost of revenues in 2012 increased by 29% to RMB1,038 million (US$167 million) from RMB805 million in 2011. This increase was primarily attributable to increased costs associated with the rapid growth of air-ticketing and packaged-tour businesses and the expansion of our hotel reservation business. Additionally, our customer service personnel increased to over 10,000 in 2012 from approximately 9,000 in 2011 and their average payroll, benefits and share-based compensation also increased in 2012.

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Operating Expenses

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

Product Development. Product development expenses increased by 52% to RMB912 million (US$146 million) in 2012 from RMB601 million in 2011, primarily due to an increase in the number of product development personnel to approximately 4,700 employees in 2012 from approximately 4,200 employees in 2011 as we expanded our air ticketing and packaged-tour businesses, as well as an increase in the average payroll and share-based compensation to our product development personnel. In 2012, we increased expenditure on product development in response to competitive pressure in order to capture more business opportunities in new products and services as well as in new markets.

Sales and Marketing. Sales and marketing expenses increased by 58% to RMB984 million (US$158 million) in 2012 from RMB625 million in 2011, primarily attributable to the increase in advertising expenses, marketing and promotion expenses and the increase of salary, benefit and share-based compensation expenses of our sales and marketing personnel as a result of intensified marketing campaigns we launched in 2012 in response to competitive pressure as well as our efforts to expand in the leisure travel market.

General and Administrative. General and administrative expenses increased by 42% to RMB570 million (US$92 million) in 2012 from RMB401 million in 2011, primarily due to the increase in general and administrative personnel compensation expenses, share-based compensation charges and the incremental turnover tax due to the new value-added tax reform.

Equity in income of affiliates

Equity in income of affiliates decreased by 40% to RMB34 million (US$6 million) in 2012 from RMB58 million in 2011 mainly due to the net impact of investment gain as a result of equity dilution in the investee after Home Inns acquired Motel 168 International Holdings Limited (Motel 168), and the decrease in proportional equity pick-up of the investment in Home Inns results of operations as Home Inns experienced net loss in 2012 due to near-term profitability dilution by Motel 168.

Interest Income

Interest income increased by 56% to RMB166 million (US$27 million) in 2012 from RMB106 million in 2011 due to the increased interest rate and increased cash generated from operations in 2012.

Other Income

Other income increased by 11% to RMB130 million (US$21 million) in 2012 from RMB118 million in 2011, primarily due to increases in subsidy and the gain on deconsolidation of subsidiaries in 2012.

Income Tax Expense

Income tax expense was RMB295 million (US$47 million) in 2012, an increase of 12% over RMB262 million in 2011, primarily due to the increase in our taxable income. Our effective income tax rate in 2012 was 31%, as compared to 20% in 2011, primarily due to the provision of 5% PRC withholding tax related to the dividends that our PRC subsidiaries paid to Ctrip.com (Hong Kong) Limited to fund the share repurchase program announced in June 2012, and the increase in the amount of share-based compensation, which is not tax-deductible, as a percentage to our income before income tax expense as a whole. This was partially offset by the preferential tax treatment of Chengdu Ctrip and Chengdu Ctrip International retroactively applied starting from January 1, 2011. See Major Factors Affecting Our Results of Operations Income Taxes and Financial Subsidies.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2011, 2012 and 2013 in China were increases of 4.1%, 2.5% and 2.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

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B. Liquidity and Capital Resources

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

	For the Year Ended December 31,			
	2011	2012	2013	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash provided by operating activities	1,851,315	1,654,368	2,452,827	405,178
Net cash used in investing activities	(339,947)	(1,239,904)	(4,086,144)	(674,983)
Net cash (used in)/provided by financing activities	(114,749)	(515,564)	5,315,975	878,137
Effect of foreign exchange rate changes on cash and cash equivalents	(47,126)	19,205	34,154	5,642
Net increase/(decrease) in cash and cash equivalents	1,349,493	(81,895)	3,716,812	613,974
Cash and cash equivalents at beginning of year	2,153,935	3,503,428	3,421,533	565,197
Cash and cash equivalents at end of year	3,503,428	3,421,533	7,138,345	1,179,171

Net cash provided by operating activities amounted to RMB2.5 billion (US$405 million) in 2013, which was primarily attributable to (i) our net income of RMB906.4 million (US$149.7 million) in 2013; (ii) an add-back of RMB477.7 million (US$78.9 million) in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iii) an increase in accounts payable of RMB537.7 million (US$88.8 million), primarily due to the increased volume of air-ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers; (iv) an increase in advances from customers of RMB1,001.7 million (US$165.5 million), primarily due to the increased demand for packaged-tour services, as customers are usually required to make full payments for packaged-tour services when ordering such services. These increases were partially offset by (i) an increase in accounts receivable of RMB487.4 million (US$80.5 million), primarily due to the increased volume of corporate travel management services as our corporate customers normally receive certain credit terms from us for the full amount of the prices of the air tickets issued and hotel rooms reserved, and the increased volume of credit card payments from our individual customers for air-ticket booking.

Net cash provided by operating activities amounted to RMB1.7 billion (US$266 million) in 2012, which was primarily attributable to (i) our net income of RMB690.5 million (US$110.8 million) in 2012; (ii) an add-back of RMB430.2 million (US$69.1 million) in non-cash items, primarily relating to share-based compensation expenses and depreciation expenses; (iii) an increase in accounts payable of RMB255.2 million (US$41 million), primarily due to the increased volume of air-ticketing and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers; (iv) an increase in advances from customers of RMB310.5 million (US$50 million), primarily due to the increased demand for packaged-tour services, as customers are usually required to make full payments for packaged-tour services when ordering such services. These increases were partially offset by an increase in accounts receivable of RMB193.9 million (US$31.1 million), primarily due to the increased volume of corporate travel management services as our corporate customers normally receive certain credit terms from us for the full amount of the prices of the air tickets issued and hotel rooms reserved, and the increased volume of credit card payments from our individual customers for air-ticket booking.

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

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

Net cash used in investing activities amounted to RMB4.1 billion (US$675 million) in 2013, compared to net cash used in investing activities of RMB1.2 billion in 2012. This increase in 2013 was primarily due to the increase of short term investment, the increase of acquisition and the construction or renovation of our office buildings in Chengdu and Shanghai. Net cash used in investing activities amounted to RMB1.2 billion in 2012, compared to net cash used in investing activities of RMB339.9 million in 2011. This increase in 2012 was primarily due to the increase of short term investment and the construction or renovation of our office buildings in Chengdu, Shanghai and Beijing.

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Net cash provided by financing activities amounted to RMB5,316 million (US$878.1 million) in 2013, compared to net cash used by financing activities of RMB515.6 million in 2012 and net cash used by financing activities of RMB114.7 million in 2011. We did not make any dividend payment in 2011, 2012 and 2013. The change of net cash flow in financing activities in 2013 was mainly due to the offering of convertible senior notes with a principal amount of US$800 million in October 2013. The change of net cash flow in financing activities in 2012 was mainly due to the offering of convertible senior notes with a principal amount of US$180 million in September 2012 and net cashes used on our share repurchases in the amount of RMB1.7 billion.

Capital Resources

As of December 31, 2013, our principal sources of liquidity have been cash generated from operating activities, short-term borrowings from third-party lenders, as well as the proceeds we received from our public offerings of ordinary shares and our offerings of convertible senior notes. Our cash and cash equivalents consist of cash on hand and liquid investments which are unrestricted as to withdrawal or use. Our financing activities consist of issuance and sale of our shares and convertible senior notes to investors and related parties and short-term borrowings from third-party lenders. As of the date of this annual report, we had convertible senior notes with an outstanding principal amount of US$934.5 million and a term loan facility with an outstanding principal of US$127.75 million. Except as disclosed in this annual report, we have no outstanding bank loans or financial guarantees or similar commitments to guarantee the payment obligations of third parties. We believe that our current cash and cash equivalents, our cash flow from operations and proceeds from our financing activities will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the foreseeable future and at least the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue.

As of December 31, 2013, our primary capital commitment was RMB376 million (US$62 million) in connection with capital expenditures of property, equipment and software.

C. Research and Development, Patents and Licenses, etc.

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

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

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2013 to December 31, 2013 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

In connection with our air ticketing business, we are required by the Civil Aviation Administration of China, International Air Transport Association, and local airline companies to pay deposits or to provide other guarantees in order to obtain blank air tickets. As of December 31, 2013, the amount under these guarantee arrangements was approximately RMB877 million (US$145 million).

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

F. Tabular Disclosure of Contractual Obligations

The following sets forth our contractual obligations as of December 31, 2013:

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in RMB thousands)		
Convertible senior notes with principal and interest	5,977,437	65,716	1,008,224	4,903,497	
Term Loans with principal and interest	780,957	780,957			
Operating lease obligations	108,513	49,445	56,062	2,726	280
Purchase obligations	413,252	397,843	15,259	150	
Total	7,280,159	1,293,961	1,079,545	4,906,373	280

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

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

In June 2012, we entered into a contract with China Construction Bank for a loan facility of up to US$72.75 million. In June 2013, the facility came to maturity and was extended for another 12 month. The facility is collateralized by a bank deposit of RMB500 million provided by one of our wholly-owned subsidiaries. As of December 31, 2013, we obtained three borrowings of RMB441.1 million (US$72.75 million) in aggregate under the facility. The annual interest rate of borrowings is approximately 2.4%.

In August 2013, we entered into a contract with Agricultural Bank of China for a loan facility of US$40 million. The facility has a maturity of 12 months and is pledged by a bank deposit of RMB270 million of one of our subsidiaries. As of December 31, 2013, we obtained two borrowings of RMB91.0 million (US$15 million) in aggregate under the facility. The annual interest rate of borrowings is approximately 2.4%.

In November 2013, we entered into a contract with China Construction Bank for a loan facility of up to US$40 million. The facility has a maturity of 3 months and is collateralized by a bank deposit of RMB262 million provided by one of our wholly-owned subsidiaries. As of December 31, 2013, we obtained borrowings of RMB242.5 million (US$40 million) in aggregate under the facility. The annual interest rate of borrowings is approximately 2.4%.

Operating lease obligations for the years 2014, 2015, 2016, 2017, 2018 and 2019 are RMB49.4 million, RMB35.8 million, RMB15.1 million, RMB5.2 million, RMB2.4 million and RMB0.6 million, respectively. Rental expenses amounted to approximately RMB66 million, RMB94 million and RMB118 million (US$20 million) for the years ended December 31, 2011, 2012 and 2013, respectively. Rental expense is charged to the statements of income when incurred.

While the table above indicates our contractual obligations as of December 31, 2013, the actual amounts we are eventually required to pay may be different in the event that any agreements are renegotiated, cancelled or terminated.

G. Safe Harbor

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

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

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

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

- general declines or disruptions in the travel industry may materially and adversely affect our business and results of operations;

- the trading price of our ADSs has been volatile historically and may continue to be volatile regardless of our operating performance;

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

- if we fail to further increase our brand recognition, we may face difficulty in retaining existing and acquiring new business partners and customers, and our business may be harmed;

- if we do not compete successfully against new and existing competitors, we may lose our market share, and our business and results of operations may be materially and adversely affected;

- our business could suffer if we do not successfully manage current growth and potential future growth;

- our strategy to acquire or invest in complementary businesses and assets involves significant risks and uncertainty that may prevent us from achieving our objectives and harm our financial condition and results of operations;

- our quarterly results are likely to fluctuate because of seasonality in the travel industry in Greater China;

- our business may be harmed if our infrastructure and technology are damaged or otherwise fail or become obsolete;

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

- inflation in China may disrupt our business and have an adverse effect on our financial condition and results of operations; and

- if the ownership structure of our affiliated Chinese entities and the contractual arrangements among us, our consolidated affiliated Chinese entities and their shareholders are found to be in violation of any PRC laws or regulations, we and/or our affiliated Chinese entities may be subject to fines and other penalties, which may adversely affect our business and results of operations.

These risks are not exhaustive. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. You should read these statements in conjunction with the risk factors disclosed in Item 3.D. of this annual report, Risk Factors, and other risks outlined in our other filings with the Securities and Exchange Commission. Moreover, we operate in an emerging and evolving environment. New risk factors may emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

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

Directors and Executive Officers	**Age**	**Position/Title**
James Jianzhang Liang	44	Co-founder; Chairman of the Board and Chief Executive Officer
Min Fan	49	Co-founder; Vice Chairman of the Board and President
Jane Jie Sun	45	Chief Operating Officer
Jenny Wenjie Wu	39	Chief Strategy Officer
Xiaofan Wang	39	Chief Financial Officer
Neil Nanpeng Shen(1)	46	Co-founder; Independent Director
Qi Ji	47	Co-founder; Independent Director
Gabriel Li(1)	46	Vice Chairman of the Board, Independent Director
JP Gan(1) (2)	42	Independent Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

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

Biographical Information

James Jianzhang Liang is one of the co-founders of our company. Mr. Liang served as our chief executive officer from 2000 to January 2006 and resumed the role of chief executive officer since March 2013. He has also served as a member of our board of directors since our inception and has been the chairman of the board since August 2003. Prior to founding our company, Mr. Liang held a number of technical and managerial positions with Oracle Corporation from 1991 to 1999 in the United States and China, including the head of the ERP consulting division of Oracle China from 1997 to 1999. Mr. Liang currently serves on the boards of Home Inns and 51job.com Inc., and serves as an independent director of Jiayuan.com International Ltd. listed on NASDAQ. Mr. Liang received his Ph.D. degree from Stanford University and his Master s and Bachelor s degrees from Georgia Institute of Technology. He also attended an undergraduate program at Fudan University.

Min Fan is one of the co-founders of our company. Mr. Fan has been a member of our board of director since October 2006 and has served as the vice chairman of the board since March 2013. Mr. Fan has served as our president since February 2009. He also served as our chief executive officer from January 2006 to February 2013, as our chief operating officer from November 2004 to January 2006, and as our executive vice president from 2000 to November 2004. Mr. Fan also serves as an independent director of 500.com listed on NYSE from 2013. From 1997 to 2000, Mr. Fan was the chief executive officer of Shanghai Travel Service Company, a leading domestic travel agency in China. From 1990 to 1997, he served as the deputy general manager and in a number of other senior positions at Shanghai New Asia Hotel Management Company, which was one of the leading hotel management companies in China. Mr. Fan currently serves on the board of directors of China Lodging Group, Limited. Mr. Fan obtained his Master s and Bachelor s degrees from Shanghai Jiao Tong University. He also studied at the Lausanne Hotel Management School of Switzerland in 1995.

Jane Jie Sun has served as our chief operating officer since May 2012 and before that, she has served as our chief financial officer since December 2005. Ms. Sun has extensive experience in SEC reporting, finance and accounting. Prior to joining us, Ms. Sun served as the head of the SEC and external reporting division of Applied Materials, Inc., where she worked from 1997 to 2005. Prior to joining Applied Materials, Inc., Ms. Sun worked with KPMG LLP in Silicon Valley, California for five years. Ms. Sun is a member of the American Institute of Certified Public Accountants and a member of the State of California Certified Public Accountants. Ms. Sun currently serves on the board of TAL Education Group, a company listed on the New York Stock Exchange. Ms. Sun received her Bachelor s degree in Accounting from University of Florida with High Honors. She also attended Beijing University Law School and obtained an LLM degree.

Jenny Wenjie Wu has been Chief Strategy Officer of our company since November 2013. Prior to that, she served as our Chief Financial Officer between May 2012 and November 2013 and as our Deputy Chief Financial Officer between December 2011 and May 2012. Ms. Wu also serves as an independent director of Kingsoft Corporation Limited from March 2013. Prior to joining Ctrip, Ms. Wu was an equity research analyst covering China Internet and Media industries in Morgan Stanley Asia Limited and in Citigroup Global Markets Asia Limited from 2005 to 2011. Prior to that, Ms. Wu worked in the Department of Enterprises Operations and Management in China Merchants Holdings (International) Company Limited, a company listed on the Hong Kong Stock Exchange, from 2003 to 2005. Ms. Wu holds a Ph.D. degree in finance from the University of Hong Kong, a Master s degree in philosophy in finance from the Hong Kong University of Science and Technology, and both a Master s degree and a Bachelor s degree in economics from Nan Kai University, China. Ms. Wu is a Chartered Financial Analyst (CFA).

Xiaofan Wang has served as our Chief Financial Officer since November 2013. Prior to that, she was our vice president since January 2008. Ms. Wang joined us in 2001 and has held a number of managerial positions at our company. Prior to joining us, she served as finance manager in China eLabs, a venture capital firm from 2000 to 2001. Previously, Ms. Wang worked with PricewaterhouseCoopers Zhong Tian CPAs Limited Company. Ms. Wang received a Master of Business Administration from Massachusetts Institute of Technology and obtained her Bachelor s degree from Shanghai Jiao Tong University.

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

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

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

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

B. Compensation

We have entered into a standard form of director agreement with each of our directors. Under these agreements, we paid cash compensation (inclusive of directors fees) to our directors in an aggregate amount of US$1.3 million in 2013. Directors are reimbursed for all expenses incurred in connection with each Board of Directors meeting and when carrying out their duties as directors of our company. See Employee s Stock Option Plans for options granted to our directors in 2013.

We have entered into standard forms of employment agreements with our executive officers. Under these agreements, we paid cash compensation to our executive officers in an aggregate amount of US$1 million in 2013, excluding compensation paid to Min Fan and James Jianzhang Liang, who also serve and receive compensation as our executive directors. These agreements provide for terms of service, salary and additional cash compensation arrangements, all of which have been reflected in the 2013 aggregate compensation amount. See Employee s Stock Option Plans for options granted to our executive officers in 2013.

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

Employee s Share Incentive Plans

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

As of February 28, 2014, the 2005 Plan, the 2003 Plan and the 2000 Plan have all terminated and there were 567,852 options issued and outstanding under the 2005 Plan. Under the 2007 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to awards was 5,000,000 as of the first business day of 2011, with annual increases of 1,000,000 ordinary shares on the first business day of each subsequent calendar year until the termination of the plan. Under the 2007 Plan, 4,216,262 options and 888,942 restricted share units were issued and outstanding as of February 28, 2014.

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

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

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

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

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

The following table summarizes, as of February 28, 2014, the outstanding options granted under our 2005 and 2007 Plans to the individual executive officers and directors named below, and to the other optionees in the aggregate. The table gives effect to the amendments described above.

	Ordinary Shares Underlying Options Granted	**Exercise Price (US$/Share)**	**Date of Grant**	**Date of Expiration**
James Jianzhang Liang	905,000	37.56; 38.16; 58.39; 70.32; 78.56; 83.04; 87.96; 96.7; 102.84; 161.96	From February 13, 2007 to January 9, 2014	From February 13, 2015 to January 9, 2022
Min Fan	1,050,000	37.56; 38.16; 58.39; 70.32; 78;56; 87.96; 96.7; 102.84; 161.96	From February 13, 2007 to January 9, 2014	From February 13, 2015 to January 9, 2022
Jane Jie Sun	860,000	37.56; 38.16; 58.39; 70.32; 78.56; 87.96; 96.7; 102.84; 161.96	From February 13, 2007 to January 9, 2014	From February 13, 2015 to January 9, 2022
Jenny Wenjie Wu	*	70.32; 78.56; 87.96	From March 28, 2012 to January 27, 2013	From March 28, 2020 to January 27, 2021
Xiaofan Wang	*	38.16; 87.96; 102.84; 161.96	From February 10, 2009 to January 9, 2014	From February 10, 2017 to January 9, 2022
Neil Nanpeng Shen	*	38.16; 58.39; 78.56; 125.16	From February 13, 2007 to January 27, 2013	From February 13, 2015 to January 27, 2021

Qi Ji	*	38.16; 78.56	From August 13, 2007 to January 27, 2013	From February 10, 2017 to January 27, 2021
Gabriel Li	*	38.16; 58.39; 78.56	From February 13, 2007 to January 27, 2013	From February 13, 2015 to January 27, 2021
JP Gan	*	78.56	January 27, 2013	January 27, 2021
Other Employees	1,769,579	From 18.245 to 161.96	From August 11, 2006 to January 9, 2014	From August 11, 2014 to January 9, 2022
Total	4,784,114			

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

The following table summarizes, as of February 28, 2014, the outstanding restricted share units granted under our 2005 and 2007 Plans to the individual executive officers and directors named below, and to the other employees in the aggregate.

	Ordinary Shares Underlying Restricted Share Unit Granted	Date of Grant
James Jianzhang Liang	74,333	From March 1, 2011 to January 9, 2014
Min Fan	60,500	From March 1, 2011 to January 9, 2014
Jane Jie Sun	47,750	From March 1, 2011 to January 9, 2014
Jenny Wenjie Wu	*	From January 27, 2013 to January 9, 2014
Xiaofan Wang	*	From March 1, 2011 to March 28, 2012
Neil Nanpeng Shen	*	January 27, 2013
Qi Ji	*	January 27, 2013
Other Employees	698,972	From January 29, 2010 to January 9, 2014
Total	888,942	

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

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

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

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

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

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

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

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

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

Termination or Amendment of Plans. The 2005 Plan terminated automatically in 2009 although the termination does not affect the rights of the optionees who received option grants under the 2005 Plan. There were 567,852 options issued and outstanding under the 2005 Plan as of February 28, 2014.

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

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

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

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

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

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

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

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

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

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

C. Board Practices

Our board of directors currently consists of seven directors. A director is not required to hold any shares in the company by way of qualification. Our board of directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. No director is entitled to any severance benefits upon termination of his directorship with us. As of the date of this annual report, a majority of our directors meet the independence definition under The NASDAQ Stock Market, Inc. Marketplace Rules, or the NASDAQ Rules.

Committees of the Board of Directors

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

As of the date of this annual report, our audit committee consists of Messrs. Gan, Li and Shen. All of these directors meet the audit committee independence standard under Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The independence definition under Rules 5605 of the NASDAQ Rules is met by Messrs. Gan, Li and Shen. In addition, all the members of our audit committee qualify as audit committee financial experts as defined in the relevant NASDAQ Rules.

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

As of the date of this annual report, our compensation committee consists of Messrs. Gan and Ji, both of whom meet the independence definition under the NASDAQ Rules.

Duties of Directors

Under Cayman Islands law, our directors have a duty of loyalty to act honestly and in good faith in the best interests of our company. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. Our articles of association govern the way our company is operated and the powers granted to the directors to manage the daily affairs of our company.

Terms of Directors and Officers

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

D. Employees

As of December 31, 2013, we had approximately 23,000 employees, including approximately 1,300 in management and administration, approximately 14,200 in our customer service centers, approximately 1,300 in sales and marketing, and approximately 6,200 in product development including supplier management personnel and technical support personnel. Most of our employees are based in Shanghai, Beijing, Guangzhou and Shenzhen. We consider our relations with our employees to be good.

E. Share Ownership

As of February 28, 2014, 34,062,807 of our ordinary shares were issued and outstanding (excluding the 1,073,835 ordinary shares that we reserved for issuance upon the exercise of our outstanding options). As of the same date, there were 4,784,114 options and 888,942 restricted share units issued and outstanding under our 2005 Plan and 2007 Plan, which, once vested, are exercisable for the equivalent amount of our ordinary shares. For information regarding 2005 Plan and 2007 Plan, see Item 6.B. Compensation. Our shareholders are entitled to vote together as a single class on all matters submitted to shareholders vote. No shareholder has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, taking into account the aggregate number of ordinary shares underlying share options and restricted share units that were outstanding as of, and exercisable within 60 days after, February 28, 2014, by each of our directors and senior management. For information regarding share options and restricted share units granted to our directors and senior executive officers, see Item 6.B. Compensation. Except as otherwise noted, the address of each person listed in the table is c/o Ctrip.com International, Ltd., 99 Fu Quan Road, Shanghai 200335, People s Republic of China.

	Ordinary Shares Beneficially Owned (1)	
	Number	**%(2)**
Directors and Senior Management:		
Min Fan (3)	1,157,320	2.9%
Jane Jie Sun (4)	857,649	2.2%
James Jianzhang Liang (5)	606,315	1.6%
Neil Nanpeng Shen (6)	*	*
Other directors and executive officers as a group, each of whom individually owns less than 0.1%	*	*
All directors and officers as a group (7)	2,955,914	7.3%
Principal Shareholders:		
Entities affiliated with OppenheimerFunds, Inc. (8)	4,639,819	13.72%
T. Rowe Price Associates, Inc. (9)	4,440,207	13.13%
Baillie Gifford & Co (Scottish Partnership) (10)	1,828,740	5.41%

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

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Notes:

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

(2) For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by 34,062,807, being the sum of the number of ordinary shares outstanding as of February 28, 2014, the number of ordinary shares underlying share options held by such person or group that were exercisable within 60 days after February 28, 2014, and the number of ordinary shares in the form of ADSs assuming full conversion of notes held by such person or group to ADSs at the initial conversion rate.

(3) Includes 286,021 ordinary shares held by Perfectpoint International Limited, a British Virgin Islands company owned by Mr. Fan and 806,667 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2014 held by Mr. Fan and 64,633 ordinary shares in the form of ADSs assuming full conversion of US$5,000,000 notes that Mr. Fan holds to ADSs at the initial conversion price.

(4) Includes 143,750 ordinary shares held by Ms. Sun and 520,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2014 and 193,899 ordinary shares in the form of ADSs assuming full conversion of US$15,000,000 notes that Ms. Sun holds to ADSs at the initial conversion price.

(5) Includes 160,000 ordinary shares held by Mr. Liang and 252,417 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2014 held by Mr. Liang and 193,899 ordinary shares in the form of ADSs assuming full conversion of US$15,000,000 notes that Mr. Liang holds to ADSs at the initial conversion price.

(6) Mr. Shen s business address is Suite 2215, Two Pacific Place, 88 Queensway Road, Hong Kong.

(7) Includes 719,827 ordinary shares and 1,695,756 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2013 held by all of our current directors and executive officers, as a group, and 540,331 ordinary shares in the form of ADSs assuming full conversion of US$41,800,000 notes that certain directors and executive officers hold to ADSs at the initial conversion price.

(8) Includes 2,773,013 ordinary shares held by OppenheimerFunds, Inc. and 1,866,806 ordinary shares held by Oppenheimer Developing Markets Fund. Information regarding beneficial ownership is reported as of December 31, 2013, based on the information contained in the Schedule 13G/A filed by OppenheimerFunds, Inc. and Oppenheimer Developing Markets Fund with the SEC on February 6, 2014. Please see the Schedule 13G/A filed by OppenheimerFunds, Inc. and Oppenheimer Developing Markets Fund with the SEC on February 6, 2014 for information relating to OppenheimerFunds, Inc. and Oppenheimer Developing Markets Fund. The business address of OppenheimerFunds, Inc. is Two World Financial Center, 225 Liberty Street, New York, NY 10281, the United States of America. The business address of Oppenheimer

Developing Markets Fund is 6803 S. Tucson Way, Centennial, CO 80112, the United States of America.

(9) Includes 4,440,207 ordinary shares held by T. Rowe Price Associates, Inc. Information regarding beneficial ownership is reported as of December 31, 2013, based on the information contained in the Schedule 13G/A filed by T. Rowe Price Associates Inc. with the SEC on February 14, 2012. Please see the Schedule 13G/A filed by T. Rowe Price Associates Inc. with the SEC on February 7, 2014 for information relating to T. Rowe Price Associates, Inc. The address for T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202, the United States of America.

(10) Includes 1,828,740 ordinary shares held by Baillie Gifford & Co (Scottish Partnership). Information regarding beneficial ownership is reported as of December 31, 2013, based on the information contained in the Schedule 13G/A filed by Baillie Gifford & Co (Scottish Partnership) with the SEC on February 12, 2014. Please see the Schedule 13G/A filed by Baillie Gifford & Co (Scottish Partnership) with the SEC on February 12, 2014 for information relating to Baillie Gifford & Co (Scottish Partnership). The address for Baillie Gifford & Co (Scottish Partnership) is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK.

As of February 28, 2014, 34,062,807 of our ordinary shares were issued and outstanding (excluding the 1,073,835 ordinary shares that we reserved for issuance upon the exercise of our outstanding options). Based on a review of the register of members maintained by our Cayman Islands registrar, we believe that as of February 28, 2014, 37,774,159 ordinary shares were held by two record shareholders in the United States, including 37,774,158 ordinary shares (including treasury shares that were repurchased but not retired by the Company) held of record by The Bank of New York Mellon, the depositary of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to Item 6. Share Ownership.

B. Related Party Transactions

Arrangements with Consolidated Affiliated Chinese Entities

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the air-ticketing, travel agency, advertising and value-added telecommunications businesses in China. Therefore, we conduct part of our operations in our non-hotel reservation businesses through a series of agreements between our PRC subsidiaries, our affiliated Chinese entities and/or their respective shareholders. Our affiliated Chinese entities hold the licenses and approvals for conducting the air-ticketing, travel agency, and value-added telecommunications businesses in China. We do not hold any ownership interest in our affiliated Chinese entities. In early 2013, we amended and restated the contractual arrangements that we previously entered into with our consolidated affiliated Chinese entities in order to further strengthen our ability to control these entities and receive substantially all of the economic benefits from them. Moreover, we plan to enter into the same series of agreements with all of our future affiliated Chinese entities. These amended and restated contractual arrangements were disclosed in our last year s report. As of the date of this report, Min Fan, our vice chairman of the board and president, and Dongjie Guo and Maohua Sun, our officers, are the principal record owners of our affiliated Chinese entities.

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

- Maohua Sun and Ctrip Commerce owned 4% and 96%, respectively, of Beijing Ctrip.

- Maohua Sun and Min Fan owned 10.2% and 89.8%, respectively, of Ctrip Commerce.

- Ctrip Commerce owned 100% of Shanghai Huacheng.

- Min Fan and Dongjie Guo owned 90% and 10%, respectively, of Guangzhou Ctrip International Travel Agency Co., Ltd., or Guangzhou Ctrip, as well as Shenzhen Ctrip Travel Agency Co., Ltd., or Shenzhen Ctrip.

- Min Fan owned 100% of Shanghai Ctrip International Travel Agency Co., Ltd. (formerly Shanghai Ctrip Charming International Travel Agency Co., Ltd.), or Shanghai Ctrip.

- Shanghai Ctrip owned 100% of Chengdu Ctrip Travel Agency Co., Ltd., or Chengdu Ctrip, as well as Chengdu Ctrip International Travel Agency Co., Ltd., or Chengdu Ctrip International.

- Ctrip Commerce and Ctrip Computer Technology owned 90% and 10%, respectively, of Ctrip Insurance Agency Co., Ltd., or Ctrip Insurance.

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

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

Amended and Restated Technical Consulting and Services Agreements. Ctrip Computer Technology, Ctrip Travel Network and Ctrip Travel Information, each a wholly owned PRC subsidiary of ours, provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. In consideration for our services, our affiliated Chinese entities agree to pay us service fees as calculated in such manner as determined by us from time to time based on the nature of service, which may be adjusted periodically. For 2013, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB8 (US$1) to RMB85 (US$14) per ticket and from RMB27 (US$4) to RMB125 (US$21) per person per tour. Although the service fees are typically determined based on the number of air tickets sold and packaged tour products sold, given the fact that the nominee shareholders of our affiliated Chinese entities have irrevocably appointed the employees of our subsidiaries to vote on their behalf on all matters they are entitled to vote on, we have the right to determine the level of service fees paid and therefore receive substantially all of the economic benefits of our affiliated Chinese entities in the form of service fees. The services fees paid by all of our affiliated Chinese entities as a percentage of their total net income were 77.7%, 82.7% and 105.9% for the years ended December 31, 2011, 2012 and 2013. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a 30-day advance written notice to the applicable affiliate Chinese entity.

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

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

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

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

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

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

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

Share Incentive Grants

Please refer to Item 6.B. Compensation Employee s Share Incentive Plans.

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Commissions from Home Inns and its affiliates

As of December 31, 2013, we held approximately 15.39% stake in Home Inns, one of our hotel suppliers, and have two directors in common with it. Home Inns and its affiliates have entered into agreements with us to provide hotel rooms for our customers. Total commissions from Home Inns and its affiliates amounted to RMB17.7 million, RMB35.9 million and RMB38.7 million (US$6.4 million) for the years ended December 31, 2011, 2012 and 2013, respectively. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers.

Registration Rights from Home Inns

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

Commissions from Hanting and its affiliates

One of our hotel suppliers, China Lodging Group Limited, or Hanting, has a director in common with our company and a director who is a family member of one of our officers. Hanting has entered into agreements with us to provide hotel rooms for our customers. Total commissions Hanting paid us amounted to RMB8.0 million, RMB11.0 million and RMB17.1 million (US$2.8 million) for the years ended December 31, 2011, 2012 and 2013, respectively. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers. In March 2010, we invested a total of US$67.5 million in approximately 9% stake in Hanting through private placement transactions and purchases in Hanting s initial public offering. The purchase prices for shares acquired in both private placement transactions and the initial public offering were equal to Hanting s initial public offering price.

Purchase of tour package service from Ananda

We purchased tour package service from Ananda Travel Service (Aust.) Pty Limited, or Ananda, an association investment of HKWOT (BVI) Limited. Tour package purchase from Ananda for the years ended December 31, 2011, 2012 and 2013 amounted to RMB29 million, RMB33 million and RMB33 million (US$5.4 million), respectively.

Commissions from Starway Hotels (Hong Kong) Limited

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

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

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

Legal Proceedings

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

Dividend Policy

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

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

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

B. Significant Changes

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

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details.

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

The following table provides the high and low trading prices for our ADSs on the NASDAQ Global Select Market for the periods presented and all prices have been retroactively adjusted to reflect the current ADS to ordinary share ratio of one ADS to 0.25 of an ordinary share effective on January 21, 2010 for all periods presented. The closing price of our ADSs on March 27, 2014 was US$47.01 per ADS.

	Trading Price (US$)	
	High	**Low**
2009	39.30	9.20
2010	53.16	29.90

2011	50.57	22.33
2012	28.12	12.36
First Quarter	28.12	21.01
Second Quarter	22.13	16.25
Third Quarter	18.95	12.36
Fourth Quarter	23.68	16.63
2013	61.09	18.87
First Quarter	24.86	19.01
Second Quarter	35.33	18.87
Third Quarter	58.98	31.25
Fourth Quarter	61.09	44.48
Monthly Highs and Lows		
September 2013	58.98	45.75
October 2013	61.09	51.15
November 2013	59.59	44.48
December 2013	52.94	46.00
January 2014	50.03	35.96
February 2014	56.86	36.67
March 2014 (through March 27, 2014)	54.50	46.13

B. Plan of Distribution

Not applicable.

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C. Markets

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

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

General. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law (2013 Revision) of the Cayman Islands, or Companies Law.

Voting Rights. Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of our board of directors or any other shareholder or shareholders collectively present in person or by proxy and holding at least ten percent of the shares giving a right to attend and vote at the meeting.

A quorum required for a meeting of shareholders consists of at least two shareholders (or, if our company has only one shareholder, that one shareholder) holding at least one-third of the outstanding voting shares in our company, present or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders meetings may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate not less than ten percent in par value of our voting share capital. Advance notice of at least seven days is required for the convening of any of our shareholders meetings.

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

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

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

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Redemption, Repurchase and Surrender of Shares. We may issue shares on the terms that such shares are subject to redemption, at our option or at the option of the holders thereof on such terms and in such manner as may be determined, prior to the issue of such shares, by special resolution. Our company may also repurchase any of our shares (including redeemable shares) provided that the manner of such purchase has been authorized by an ordinary resolution of our shareholders. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company s profits or share premium account or out of the proceeds of a fresh issue of shares made for the purpose of such redemption of repurchase, or out of capital if our company shall, immediately following such payment, be able to pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law, no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) our company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Shareholder Rights Plan

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

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

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

Registered Office and Objects

Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as our directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law (2013 Revision), as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

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

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

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

C. Material Contracts

Other than in the ordinary course of business and other than those described under this item, in Item 4. Information on the Company A. History and Development of the Company and Item 7 Major Shareholders and Related Party Transactions B. Related Party Transactions or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report: (i) a construction contract dated February 25, 2012 between Hunan No. 1 Engineering Company and Chengdu Ctrip Travel Service Co Ltd.; (ii) an Indenture, dated September 25, 2012, constituting US$180.0 million 0.50% Convertible Senior Notes due 2017; (iii) an Indenture, dated October 17, 2013, constituting US$800.0 million 1.25% Convertible Senior Notes due 2018; and (iv) a framework agreement for purchase of first underground floor of building A and the whole building B of Hongqiao International Technology Square dated September 25, 2013 among Shanghai Hongqiao Linkong Technology Development Co., Ltd., Ctrip Computer Technology (Shanghai) Co., Ltd. and Shanghai Huanji Digital Technology Co., Ltd..

D. Exchange Controls

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

E. Taxation

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

Cayman Islands Taxation

According to Maples and Calder, the Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by us.

We have received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (2013 Revision) of the Cayman Islands, for a period of 20 years from 14 March, 2000, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital to our members or a payment of principal or interest or other sums due under a debenture or other obligation.

PRC Taxation

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

Certain United States Federal Income Tax Considerations

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

This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules, such as banks, insurance companies, broker dealers, dealers or traders in securities or commodities, tax-exempt entities, persons liable for alternative minimum tax, U.S. expatriates, regulated investment companies or real estate investment trusts, partnerships (including any pass-through or other entity treated as partnerships for United States federal income tax purposes) or persons holding ADSs or ordinary shares through partnerships (including any pass-through or other entity treated as partnerships for United States federal income tax purposes), persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction, investors whose functional currency is not the U.S. dollars, holders that actually or constructively own 10% or more (by voting power or value) of all classes of our outstanding capital stock, or persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation.

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

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

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

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity subject to tax as a corporation for United States federal income tax purposes) organized under the laws of the United States, any state or the District of Columbia;

- an estate, the income of which is subject to United States federal income taxation regardless of its source; or

- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial trust decisions or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership or other entity taxable as a partnership that holds ADSs or ordinary shares, your tax treatment will generally depend on your status and the activities of the partnership. Partnerships holding the ADSs or ordinary shares, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of an investment in the ADSs or ordinary shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with the terms. If you hold ADSs, you should be treated as the holder of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

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

Subject to the description below under Passive Foreign Investment Company Rules, the amount of any distribution to you with respect to the ADSs or ordinary shares, before deduction for any taxes imposed by the PRC, will be included in your gross income as dividend income on the date of receipt by the depositary, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under United States federal income tax principles). Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be treated as a dividend for United States federal income tax purposes. Any dividends we pay will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

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

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

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

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

Passive Foreign Investment Company Rules

Based on the market price of our ADSs and ordinary shares, the value of our assets, and the composition of our assets and income, we do not believe that we were a passive foreign investment company (a PFIC) for U.S. federal income tax purposes for our taxable year ended December 31, 2013, and, although no assurances can be made in this regard and assuming we use a substantial portion of the cash raised in our October 2013 convertible notes offering in our business in the early part of this year, we do not expect to be one for our taxable year ending December 31, 2014 or become one in the foreseeable future. A non-U.S. corporation will be a PFIC for any taxable year if either:

- at least 75% of its gross income is passive income; or

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

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

We must make a separate determination after the close of each year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2014 or any future taxable year. Because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs and ordinary shares, fluctuations in the market price of our ADSs or ordinary shares may cause us to become a PFIC. If we are a PFIC for any year during which you hold ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you hold ADSs or ordinary shares, unless we cease to be a PFIC and you make a deemed sale election with respect to the ADSs or ordinary shares, as applicable. If such election is made, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the consequences described below. After the deemed sale election, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

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

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

- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we became a PFIC, will be treated as ordinary income; and

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

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A U.S. Holder of marketable stock (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed in the preceding paragraph. If you make a valid mark-to-market election for our ADSs or ordinary shares, you will include in income for each year that we are treated as a PFIC with respect to you an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares you hold as of the close of the year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as any gain on the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. The mark-to-market election is available only for marketable stock, which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter (regularly traded) on a qualified exchange or other market, as defined in applicable United States Treasury regulations. Our ADSs are listed on the NASDAQ Global Select Market, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs continue to be listed on the NASDAQ Global Select Market and are regularly traded, and you are a holder of ADSs, we expect that the mark-to-market election would be available to you were we to be or become a PFIC. You should consult your tax advisors as to the availability and desirability of a mark-to-market election.

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

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

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

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

Medicare Tax

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

Information Reporting and Backup Withholding

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

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

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

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

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

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

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

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

I. Subsidiary Information

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

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. Our exposure to interest rate risk for changes in interest rates relates primarily to the interest income generated by excess cash deposited in banks, interest rates associated with the issuance of US$180 million 0.5% convertible senior notes due 2017, or the 2017 Notes, and the issuance of US$800 million 1.25% convertible senior notes due 2018, or the 2018 Notes. The 2017 Notes we issued in September 2012 bear interest at a rate of 0.5% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2013. The 2018 Notes we issued in October 2013 bear interest at a rate of 1.25% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014. We have not used any derivative financial instruments to hedge interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. Based on our cash balance as of December 31, 2013, a one basis point decrease in interest rates would result in approximately a RMB1.4 million decrease in our interest income on an annual basis. Our future interest income may fluctuate in line with changes in interest rates. However, the risk associated with fluctuating interest rates is principally confined to our interest-bearing cash deposits, and, therefore, our exposure to interest rate risk is limited.

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Foreign Exchange Risk. We are exposed to foreign exchange risk arising from various currency exposures. Some of our expenses are denominated in foreign currencies while the majority of our revenues are denominated in RMB. As we hold assets dominated in U.S. dollars, including our bank deposits, any changes against our functional currencies could potentially result in a charge to our income statement and a reduction in the value of our U.S. dollar-denominated assets. From 2009, Ctrip.com International, Ltd., our listed company incorporated in the Cayman Islands, changed its functional currency from RMB to U.S. dollars due to changes in its economic facts and circumstances, including growth in our existing operations outside of mainland China and an active plan to explore overseas markets. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk. For the year ended December 31, 2013, foreign exchange gains accounted for approximately 3% of our net income. As of December 31, 2013, a 1% strengthening/weakening of RMB against U.S. dollar would have increased/decreased our net income by 0.5%. See Risk Factors Risks Related to Doing Business in China Future movements in exchange rates between the U.S. dollar and RMB may adversely affect the value of our ADSs.

Investment Risk. As of December 31, 2013, our equity investments, including marketable securities, totaled US$136 million. We periodically review our investments for impairment. Unrealized gains on transactions between the Company and the affiliated entity are eliminated to the extent of the Company s interest in the affiliated entity; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. We are unable to control these factors and an impairment charge recognized by us will impact our operating results and financial position.

We have invested through open market purchases and in a private placement transaction a total of US$92 million in approximately 15.39% stake in Home Inns, a leading economy hotel chain in China. The purchase prices were determined based on the trading prices of Home Inns ADSs on the NASDAQ Global Market at the time of each open market purchase or the average closing prices of Home Inns ADSs as stipulated in the relevant purchase agreement. If Home Inns experiences a net loss in the future, we would share the net loss of Home Inns proportionate to our equity interest. In March 2010, we invested a total of US$67.5 million in approximately 9% stake in Hanting, a leading economy hotel chain in China, through private placement transactions and purchases in Hanting s initial public offering. The purchase prices for shares acquired in both private placement transactions and the initial public offering were equal to Hanting s initial public offering price. As of December 31 2013, the Company recorded the investment in Hanting at a fair value of RMB1,016 million (approximately US$168 million), with RMB608 million increase in fair value of the investment credited to other comprehensive income. If the ADS price of Home Inns or Hanting declines and becomes lower than our share purchase price, we could incur impairment loss under U.S. GAAP, which in turn would adversely affect our financial results for the relevant periods.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees paid by our ADS holders

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

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Persons depositing or withdrawing shares must pay:	**For:**
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$0.02 (or less) per ADS	• Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders
$0.02 (or less) per ADSs per calendar year	• Depositary services
Registration or transfer fees	• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

Fees and Payments from the Depositary to Us

We expect to receive from the depositary a reimbursement of approximately US$3 million, net of withholding tax, for our continuing annual stock exchange listing fees and our expenses incurred in connection with investor relationship programs for 2013. In addition, the depositary has agreed to reimburse us annually for our expenses incurred in connection with investor relationship programs in the future. The amount of such reimbursements is subject to certain limits.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

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

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

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

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company s assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our company s internal control over financial reporting as of December 31, 2013 based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, audited the effectiveness of our company s internal control over financial reporting as of December 31, 2013, as stated in its report, which appears on page F-2 of this Form 20-F.

Changes in Internal Control over Financial Reporting

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

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See Item 6.C. Board Practices.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, financial controller, vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our annual report on Form 20-F for our fiscal year 2003, and posted the code on our investor relations website at ir.ctrip.com. On March 3, 2009, our board of directors approved amendments to our code of ethics and on July 13, 2012, the code of ethics was further amended and restated by our board of directors. We have filed our amended and restated code of business conduct and ethics as an exhibit to our annual report on Form 20-F for our fiscal year 2012, and posted the amended and restated code on our investor relations website at ir.ctrip.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

	For the Year Ended December 31,		
	2012	**2013**	**2013**
	RMB	**RMB**	**US$**
Audit fees(1)	9,211,952	10,196,682	1,684,372
Other services	192,300		

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

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

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

Not applicable.

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

On July 30, 2008 and September 30, 2008, our board of directors and shareholders respectively approved a share repurchase plan (the 2008 Repurchase Plan), pursuant to which we were authorized to purchase our own ADSs with an aggregate value of US$15 million by a repurchase of corresponding ordinary shares from the depositary, to be funded out of our capital. On September 30, 2011, our board of directors approved an additional share repurchase plan (the 2011 Repurchase Plan) pursuant to which we were authorized to purchase our own ADSs with an aggregate value of US$100 million by a repurchase of corresponding ordinary shares from the depositary, to be funded out of our existing cash balance. On June 13, 2012, our board of directors approved an additional share repurchase plan (the 2012 Repurchase Plan and, together with the 2008 Repurchase Plan and the 2011 Repurchase Plan, the Plans) pursuant to which we were authorized to purchase our own ADSs with an aggregate value of up to US$300 million by a repurchase of corresponding ordinary shares from the depositary. Under the Plans, we were authorized to effect a share repurchase on the open market at prevailing market prices and/or in negotiated transactions off the market from time to time as market conditions, in the their judgment, warrant, in accordance with all applicable requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended, and on the terms set out in the resolutions of our board of directors approving such share repurchase. As of the date of this annual report on Form 20-F, we purchased approximately 17.5 million ADSs with a total consideration of approximately US$298.5 million from the open market under the Plans. In 2013, we did not purchase any ADS from the open market under the Plans.

ITEM 16F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

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

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

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

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ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements for Ctrip.com International, Ltd. and its subsidiaries are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	**Document**
1.1	Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 3.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
1.2	Amendment to the Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. adopted by the shareholders of Ctrip.com International, Ltd. on October 17, 2006 (incorporated by reference to Exhibit 99.2 to our Report of Foreign Private Issuer on Form 6-K furnished to the Securities and Exchange Commission on October 17, 2006)
1.3	Amendment to the Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. adopted by the shareholders of Ctrip.com International, Ltd. on October 26, 2012
2.1	Specimen American Depositary Receipt of Ctrip.com International, Ltd. (incorporated by reference to the prospectus dated January 25, 2010 as part of the Registration Statement on Form F-6 (file no. 333-145167) filed with the Securities and Exchange Commission on August 6, 2007)
2.2	Specimen Stock Certificate of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
2.3	Rights Agreement dated as of November 23, 2007 between Ctrip.com International, Ltd. and The Bank of New York, as Rights Agent (incorporated by reference to Exhibit 4.1 from our Report of Foreign Private Issuer on Form 6-K furnished to the Securities and Exchange Commission on November 23, 2007)
2.4	Deposit Agreement dated as of December 8, 2003, as amended and restated as of August 11, 2006, and as further amended and restated as of December 3, 2007, among Ctrip.com International, Ltd., The Bank of New York as Depositary, and all Owners and Beneficial from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 2.4 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on April 29, 2008)
4.1	Form of Ctrip.com International, Ltd. Stock Option Plans (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (file no. 333-110455) and Exhibit 10.23 from our Registration Statement on Form F-2 (file no. 333-121080) filed with the Securities and Exchange Commission on November 13, 2003 and December 8, 2004, respectively)
4.2	Form of Indemnification Agreement with the Registrant s directors and executive officers (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.3	Translation of Form of Labor Contract for Employees of the Registrant s subsidiaries in China (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)

4.4	Employment Agreement between the Registrant and James Jianzhang Liang (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.5	Employment and Confidentiality Agreement between the Registrant and Jane Jie Sun (incorporated by reference to Exhibit 4.5 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 26, 2006)
4.6	Employment Agreement, between the Registrant and Min Fan (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.7	Translation of Executed Form of Amended and Restated Technical Consulting and Services Agreement between a wholly owned subsidiary of the Registrant and an Affiliated Chinese Entity of the Registrant, as currently in effect

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

	Registration Rights Agreement dated May 7, 2009 between Ctrip.com International, Ltd. and Home Inns & Hotels Management Inc. (incorporated by reference to Exhibit 99.(C) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-82520) filed with the Securities and Exchange Commission on May 21, 2009)
4.22	Sale and Purchase Agreement dated February 3, 2010 among Wing On Travel (Holdings) Limited, C-Travel International Limited and Ctrip.com International, Ltd. (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-3 (file no. 333-165150) filed with the Securities and Exchange Commission on March 2, 2010)
4.23	Subscription Agreement dated March 12, 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited (incorporated by reference to Exhibit 99.(A) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)
4.24	Share Purchase Agreement dated March 12, 2010 between Ctrip.com International, Ltd. and the selling shareholders named therein (incorporated by reference to Exhibit 99.(B) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)

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Exhibit Number	Document
4.25	Investor and Registration Rights Agreement dated March 12 2010 between Ctrip.com International, Ltd. and China Lodging Group, Limited (incorporated by reference to Exhibit 99.(C) from our General Statement of Acquisition of Beneficial Ownership on Schedule 13D (file no. 005-85408) filed with the Securities and Exchange Commission on April 9, 2010)
4.26	Translation of Construction Contract as of February 2012 between Chengdu Ctrip Information Technology Co., Ltd. and Hunan No. 1 Engineering Co., Ltd. (incorporated by reference to Exhibit 4.27 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)
4.27	Translation of Construction Contract dated September 8, 2008 between Ctrip Information Technology (Nantong) Co., Ltd. and Shanghai No. 1 Construction Co., Ltd. (incorporated by reference to Exhibit 4.28 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)
4.28	Translation of Framework Agreement for Purchase and Sale of 3-9F Building A of Hongqiao International Technology Square dated December 9, 2011 among Shanghai Hongqiao Linkong Technology Development Co., Ltd., Ctrip Computer Technology (Shanghai) Co., Ltd. and Shanghai Huanji Digital Technology Co., Ltd. (incorporated by reference to Exhibit 4.29 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)
4.29	Translation of State-Owned Construction Land Use Right Transfer Contract dated September 30, 2011 between Chengdu Ctrip Information Technology Co., Ltd. and Chengdu Land Resources Bureau (incorporated by reference to Exhibit 4.30 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 30, 2012)
4.30	Indenture, dated September 25, 2012, constituting US$180.0 million 0.50% Convertible Senior Notes due 2017 (incorporated by reference to Exhibit 4.30 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
4.31*	Translation of Framework Agreement for Purchase and Sale of First Underground Floor of Building A and the Whole Building B of Hongqiao International Technology Square dated September 25, 2013 among Shanghai Hongqiao Linkong Technology Development Co., Ltd., Ctrip Computer Technology (Shanghai) Co., Ltd. and Shanghai Huanji Digital Technology Co., Ltd.
4.32*	Indenture, dated October 10, 2013, constituting US$800.0 million 1.25% Convertible Senior Notes due 2018
8.1*	List of Significant Consolidated Entities of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant, as amended and restated as of July 3, 2012 (incorporated by reference to Exhibit 11.1 from our Annual Report on Form 20-F (file no. 001-33853) filed with the Securities and Exchange Commission on March 29, 2013)
12.1*	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder
15.2*	Consent of Commerce & Finance Law Offices
15.3*	Consent of PricewaterhouseCoopers Zhong Tian LLP

101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

*** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

CTRIP.COM INTERNATIONAL, LTD.

By:	/s/ James Jianzhang Liang	
	Name:	James Jianzhang Liang
	Title:	Chief Executive Officer

Date: March 28, 2014

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CTRIP.COM INTERNATIONAL, LTD.

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of shareholder s equity and of cash flows present fairly, in all material respects, the financial position of Ctrip.com International, Ltd. (the Company) and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Report of Management on Internal Control over Financial Reporting appearing in Item 15 in the accompanying Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People s Republic of China

March 28, 2014

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CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

	2011 RMB	2012 RMB	2013 RMB	2013 US$
Revenues:				
Hotel reservation	1,486,898,858	1,702,500,571	2,214,170,887	365,754,974
Ticketing Services	1,437,118,164	1,690,285,903	2,161,784,259	357,101,320
Packaged-tour	534,640,183	689,660,631	935,684,729	154,564,106
Corporate travel	161,610,123	199,756,068	266,988,534	44,103,364
Others	106,036,864	126,989,085	138,388,653	22,860,177
Total revenues	3,726,304,192	4,409,192,258	5,717,017,062	944,383,941
Less: business tax and related surcharges	(228,219,564)	(250,401,009)	(330,271,520)	(54,556,968)
Net revenues	3,498,084,628	4,158,791,249	5,386,745,542	889,826,973
Cost of revenues	(805,129,784)	(1,037,791,093)	(1,386,767,067)	(229,077,600)
Gross profit	2,692,954,844	3,121,000,156	3,999,978,475	660,749,373
Operating expenses:				
Product development	(601,485,367)	(911,904,722)	(1,245,719,192)	(205,778,151)
Sales and marketing	(624,599,686)	(984,002,165)	(1,269,412,720)	(209,692,043)
General and administrative	(400,875,621)	(570,487,457)	(646,404,879)	(106,778,479)
Total operating expenses	(1,626,960,674)	(2,466,394,344)	(3,161,536,791)	(522,248,673)
Income from operations	1,065,994,170	654,605,812	838,441,684	138,500,700
Interest income	106,002,655	177,144,144	200,068,533	33,048,967
Interest expense		(11,344,180)	(57,043,756)	(9,422,957)
Other income (net)	117,623,725	130,287,943	163,122,374	26,945,897
Income before income tax expense, equity in income of affiliates and non-controlling interests	1,289,620,550	950,693,719	1,144,588,835	189,072,607
Income tax expense	(262,186,225)	(294,525,956)	(293,740,322)	(48,522,444)
Equity in income of affiliates	57,525,830	34,343,000	55,554,072	9,176,879
Net income	1,084,960,155	690,510,763	906,402,585	149,727,042
Net (income) / loss attributable to non-controlling interests	(8,545,258)	23,895,101	91,917,099	15,183,623
Net income attributable to Ctrip s shareholders	1,076,414,897	714,405,864	998,319,684	164,910,665
Net income	1,084,960,155	690,510,763	906,402,585	149,727,042
Other comprehensive income:				
Foreign currency translation	(94,851,411)	21,039,744	(14,167,524)	(2,340,309)
Unrealized securities holding (losses) / gains , net of tax	(276,586,950)	92,647,858	445,580,779	73,604,700
Total comprehensive income	713,521,794	804,198,365	1,337,815,840	220,991,433
	(8,545,258)	23,895,101	91,917,099	15,183,623

Comprehensive (income) / loss attributable to non-controlling interests				
Comprehensive income attributable to Ctrip s shareholders	704,976,536	828,093,466	1,429,732,939	236,175,056
Earnings per ordinary share				
Basic	29.92	20.87	30.34	5.01
Diluted	28.30	19.92	26.63	4.40
Earnings per ADS				
Basic	7.48	5.22	7.58	1.25
Diluted	7.08	4.98	6.66	1.10
Weighted average ordinary shares outstanding				
Basic shares	35,977,063	34,236,761	32,905,601	32,905,601
Diluted shares	38,030,974	36,090,785	38,069,841	38,069,841
Share-based compensation included in Operating expense above is as follows:				
Product development	98,955,335	132,583,177	138,668,196	22,906,354
Sales and marketing	48,191,019	55,892,394	49,104,528	8,111,490
General and administrative	195,645,003	243,245,751	250,156,753	41,322,952

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

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CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2012 AND 2013

	2012 RMB	2013 RMB	2013 US$
ASSETS			
Current assets:			
Cash and cash equivalents	3,421,532,962	7,138,344,814	1,179,170,559
Restricted cash	768,228,577	739,543,614	122,163,902
Short-term investment	1,408,664,335	3,635,090,955	600,474,248
Accounts receivable, net	983,804,403	1,518,230,029	250,793,734
Due from related parties	5,328,170	21,774,669	3,596,919
Prepayments and other current assets	993,820,540	1,215,756,287	200,828,632
Deferred tax assets, current	61,840,526	96,979,500	16,019,872
Total current assets	7,643,219,513	14,365,719,868	2,373,047,866
Long-term deposits and prepayments	210,618,310	559,185,652	92,370,889
Long-term loan receivable		178,584,102	29,499,992
Long-term receviables due from related parties		8,166,667	1,349,037
Land use rights	110,659,284	107,476,794	17,753,902
Property, equipment and software	1,123,937,191	1,412,943,693	233,401,671
Investments	1,437,247,949	2,857,213,480	471,978,043
Goodwill	822,585,341	972,531,184	160,650,707
Intangible assets	321,483,420	356,653,022	58,914,882
Total assets	11,669,751,008	20,818,474,462	3,438,966,989
LIABILITIES			
Current liabilities:			
Short-term borrowings	453,478,628	774,599,341	127,954,696
Accounts payable	1,023,672,151	1,637,545,824	270,503,299
Due to related parties	10,395,726	11,216,780	1,852,880
Salary and welfare payable	229,969,924	257,641,763	42,559,387
Taxes payable	216,456,010	315,299,656	52,083,793
Advances from customers	1,414,865,769	2,451,931,450	405,030,221
Accrued liability for customer reward program	217,548,153	284,668,935	47,023,958
Other payables and accruals	343,757,881	635,104,949	104,911,864
Total current liabilities	3,910,144,242	6,368,008,698	1,051,920,098
Deferred tax liabilities, non-current	53,309,153	63,197,155	10,439,426
Long-term Debt	1,121,418,000	5,657,182,650	934,500,000
Total liabilities	5,084,871,395	12,088,388,503	1,996,859,524
Commitments and contingencies (Note 21)			
Shareholders equity			
	2,979,144	3,033,490	501,097

Share capital (US$0.01 par value; 100,000,000 shares authorized, 32,354,634 and 33,828,251 shares issued and outstanding as of December 31, 2012 and 2013, respectively.)			
Additional paid-in capital	3,818,256,227	4,088,484,766	675,369,571
Statutory reserves	103,222,512	118,449,230	19,566,419
Accumulated other comprehensive (loss) / income	(58,778,675)	372,634,580	61,554,847
Retained earnings	4,515,841,767	5,498,934,733	908,359,306
Less: Treasury stock (4,365,306 and 3,777,087 shares as of December 31, 2012 and 2013, respectively.)	(1,891,888,900)	(1,551,141,268)	(256,230,284)
Total Ctrip s shareholders equity	6,489,632,075	8,530,395,531	1,409,120,956
Non-controlling interests	95,247,538	199,690,428	32,986,509
Total shareholders equity	6,584,879,613	8,730,085,959	1,442,107,465
Total liabilities and shareholders equity	11,669,751,008	20,818,474,462	3,438,966,989

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

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CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

	Ordinary shares (US$0.01 par value)									
	Number of shares outstanding	Par value RMB	Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss RMB	Retained earnings RMB	Treasury stock - shares	Treasury stock RMB	Total Ctrip s shareholders equity RMB	Non-contro interest RMB
Balance as of December 31, 2010	35,885,163	2,926,132	3,073,551,037	93,384,908	198,972,084	2,734,858,610			6,103,692,771	86,230
Exercise of share option	207,142	13,395	51,054,507						51,067,902	
Share-based compensation			341,581,534						341,581,534	
Appropriations to statutory reserves				4,664,760		(4,664,760)				
Repurchasing common stock	(242,832)						242,832	(158,761,225)	(158,761,225)	
Foreign currency translation adjustments					(94,851,411)				(94,851,411)	
Unrealized securities holding losses					(276,586,950)				(276,586,950)	
Net income						1,076,414,897			1,076,414,897	8,545
Acquisition of a subsidiary										18,137
Acquisition of additional stake in a subsidiary			(262,654)						(262,654)	(10,141
Balance as of December 31, 2011	35,849,473	2,939,527	3,465,924,424	98,049,668	(172,466,277)	3,806,608,747	242,832	(158,761,225)	7,042,294,864	102,770
Issuance of common stock pursuant to share incentive plan	627,635	39,617	93,215,551						93,255,168	
Share-based compensation			429,165,035						429,165,035	
				5,172,844		(5,172,844)				

Appropriations to statutory reserves								
Repurchasing common stock	(4,122,474)				4,122,474	(1,733,127,675)	(1,733,127,675)	
Foreign currency translation adjustments			21,039,744				21,039,744	
Unrealized securities holding gains			92,647,858				92,647,858	
Purchasing of Purchased Call Option		(346,009,222)					(346,009,222)	
Sale of Issued Warrants		167,503,950					167,503,950	
Purchasing and settlement Capped Call Option		4,809,282					4,809,282	
Net income/(loss)				714,405,864			714,405,864	(23,895

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CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

	Ordinary shares (US$0.01 par value)									
	Number of shares outstanding	Par value RMB	Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss RMB	Retained earnings RMB	Treasury stock - shares	Treasury stock RMB	Total Ctrip s shareholders equity RMB	Non-c int R
Disposal of a stake of shares of a subsidiary			17,577,884						17,577,884	1
Issuance of convertible preferred shares by a subsidiary										67
Acquisition of a subsidiary										11
Acquisition of additional stake in a subsidiary			(13,930,677)						(13,930,677)	(6.
Balance as of December 31, 2012	32,354,634	2,979,144	3,818,256,227	103,222,512	(58,778,675)	4,515,841,767	4,365,306	(1,891,888,900)	6,489,632,075	9.
Issuance of common stock pursuant to share incentive plan	885,398	54,346	194,142,177						194,196,523	
Share-based compensation			440,992,258						440,992,258	
Appropriations to statutory reserves				15,226,718		(15,226,718)				
Foreign currency translation adjustments					(14,167,524)				(14,167,524)	
Unrealized securities holding gains					445,580,779				445,580,779	
Purchasing of Purchased Call Option			(842,694,944)						(842,694,944)	

Sale of Issued Warrants			470,838,904						470,838,904	
Early Termination of Call Option			70,270,919						70,270,919	
Early Conversion of Convertible Notes	588,219		(63,288,632)				(588,219)	340,747,632	277,459,000	
Net income / (loss)						998,319,684			998,319,684	(9
Issuance of convertible preferred shares by a subsidiary										13
Acquisition of a subsidiary										6
Acquisition of additional stake in subsidiaries			(32,143)						(32,143)	
Balance as of December 31, 2013	33,828,251	3,033,490	4,088,484,766	118,449,230	372,634,580	5,498,934,733	3,777,087	(1,551,141,268)	8,530,395,531	19

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

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CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

	2011 RMB	2012 RMB	2013 RMB	2013 US$
Cash flows from operating activities:				
Net income	1,084,960,155	690,510,763	906,402,585	149,727,042
Adjustments to reconcile net income to cash provided by operating activities:				
Share-based compensation	342,791,357	431,721,322	437,929,477	72,340,796
Equity in income of affiliates	(57,525,830)	(34,343,000)	(55,554,072)	(9,176,879)
Gain on deconsolidation of subsidiaries		(44,432,052)		
Loss from disposal of property, equipment and software	3,379,449	653,191	11,946,443	1,973,412
Gain on disposal of cost method investment			(4,014,829)	(663,203)
Gain on disposal of equity investment			(592,742)	(97,914)
Provision for doubtful accounts	185,443	376,164	2,842,681	469,577
Depreciation of property, equipment and software	78,809,867	88,462,807	110,494,928	18,252,462
Amortization of intangible assets and land use rights	11,066,656	10,538,382	10,545,854	1,742,051
Deferred income tax benefit	(3,388,535)	(22,757,864)	(35,871,972)	(5,925,628)
Changes in current assets and liabilities net of assets acquired and liabilities assumed in business combinations :				
Increase in accounts receivable	(166,668,439)	(193,874,838)	(487,446,257)	(80,520,385)
Decrease in due from related parties	(1,732,887)	(333,610)	(12,363,165)	(2,042,249)
Increase in prepayments and other current assets	(203,694,403)	(118,239,096)	(398,015,862)	(65,747,536)
Decrease (Increase) in long-term deposits	496,130	(7,479,664)	19,406,141	3,205,666
Increase in accounts payable	166,395,703	255,160,851	537,669,487	88,816,672
(Increase) Decrease in due to related parties	(5,025,904)	1,677,658	583,234	96,343
(Increase) Decrease in salary and welfare payable	(14,021,957)	85,511,674	25,720,555	4,248,733
Increase (Decrease) in taxes payable	60,282,019	(3,054,768)	98,025,837	16,192,715
Increase in advances from customers	487,010,431	310,497,590	1,001,717,032	165,471,865
Increase in accrued liability for customer reward program	40,519,230	55,805,114	67,120,782	11,087,563
Increase in other payables and accruals	27,476,422	147,967,182	216,281,215	35,727,112
Net cash provided by operating activities	1,851,314,907	1,654,367,806	2,452,827,352	405,178,215
Cash flows from investing activities:				
Purchase of property, equipment and software	(205,212,492)	(543,123,309)	(651,765,217)	(107,663,944)
Cash paid for long-term investments	(5,100,000)		(965,421,399)	(159,476,254)
Cash paid for acquisition, net of cash acquired	(27,532,356)	(29,018,885)	(119,739,607)	(19,779,574)
Purchase of intangible assets	(3,233,850)			
Purchase of land use rights	(9,747,800)			
Decrease (Increase) in restricted cash	5,527,208	(558,620,548)	31,954,414	5,278,493
Increase in short-term investment	(94,647,972)	(123,698,692)	(2,219,940,665)	(366,708,074)
Increase in long-term loan receivable			(178,584,102)	(29,499,992)
Cash received from disposal of equity investment			4,209,926	695,430
Cash received from disposal of cost method investment			13,142,920	2,171,056
Cash received from disposal of a subsidiary		14,556,966		

Net cash used in investing activities	(339,947,262)	(1,239,904,468)	(4,086,143,730)	(674,982,859)

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CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

	2011 RMB	2012 RMB	2013 RMB	2013 US$
Cash flows from financing activities:				
Proceeds from short-term bank loan		453,478,628	321,120,713	53,045,363
Proceeds from exercise of share option	54,416,536	81,911,154	180,261,090	29,777,011
Repurchase of common stock	(158,761,225)	(1,733,127,675)		
Cash paid to non-controlling investors	(10,404,359)	(40,289,731)	(82,143)	(13,569)
Proceeds from issuance convertible preferred shares by a subsidiary		63,709,828	132,709,989	21,922,128
Proceeds from issuance of senior convertible notes, net of issuance costs		1,097,195,400	4,723,511,720	780,268,550
Proceeds from sale of warrants		167,503,950	470,838,904	77,777,046
Purchase of Purchased Call Option		(346,009,222)	(842,694,944)	(139,203,288)
Cash (outflow) inflow for Capped equity		(259,935,853)	264,745,135	43,732,781
Early Termination of Call Option			70,270,919	11,607,929
Convertible Notes early conversion			(4,706,419)	(777,445)
Net cash (used in) provided by financing activities	(114,749,048)	(515,563,521)	5,315,974,964	878,136,506
Effect of foreign exchange rate changes on cash and cash equivalents	(47,125,290)	19,204,727	34,153,266	5,641,717
Net increase (decrease) in cash and cash equivalents	1,349,493,307	(81,895,456)	3,716,811,852	613,973,579
Cash and cash equivalents, beginning of year	2,153,935,111	3,503,428,418	3,421,532,962	565,196,980
Cash and cash equivalents, end of year	3,503,428,418	3,421,532,962	7,138,344,814	1,179,170,559
Supplemental disclosure of cash flow information				
Cash paid during the year for income taxes	197,700,444	350,444,946	271,482,184	44,845,662
Cash paid for interest, net of amounts capitalized		3,364,678	19,276,294	3,184,217
Supplemental schedule of non-cash investing and financing activities				
Receivables incurred for disposal of investment			12,250,000	2,023,556
Accruals related to purchase of property, equipment and software	(32,195,338)	(34,450,253)	(37,038,698)	(6,118,357)
Liabilities incurred for acquisitions and investments	(10,750,000)	(19,742,776)	(23,773,221)	(3,927,056)

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

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CTRIP.COM INTERNATIONAL, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANIZATION AND NATURE OF OPERATIONS

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

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

2. PRINCIPAL ACCOUNTING POLICIES

Basis of presentation

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

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

Consolidation

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

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

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

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

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

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For the years ended December 31, 2011, 2012 and 2013, the Company is considered the primary beneficiary of a VIE or VIEs subsidiary and consolidated the VIE or VIEs subsidiary if the Company had variable interests, that will absorb the entity s expected losses, receive the entity s expected residual returns, or both.

In December 2009, the FASB issued Consolidations Improvements to Financial Reporting by Enterprises Involved with VIEs which replaced the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has 1) the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and 2) the obligation to absorb losses from or the right to receive benefits of the variable interest entity that could potentially be significant to the VIE. The Company adopted the new requirements effective January 1, 2010 and the adoption did not have a material impact on the Company s consolidated financial statements for the year ended December 31, 2011, 2012 and 2013.

Major variable interest entities and their subsidiaries

As of December 31, 2013, the Company conducts a part of its operations through a series of agreements with certain VIEs and VIEs subsidiaries as stated in above. These VIEs and VIEs subsidiaries are used solely to facilitate the Group s participation in Internet content provision, advertising business, travel agency and air-ticketing services in the People s Republic of China (PRC) where foreign ownership is restricted.

Shanghai Ctrip Commerce is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip Commerce holds a value-added telecommunications business license and is primarily engaged in the provision of advertising business on the Internet website. Two senior officers of the Company collectively hold 100% of the equity interest in Shanghai Ctrip Commerce. The registered capital of Shanghai Ctrip Commerce was RMB30,000,000 as of December 31, 2013.

Beijing Ctrip is a domestic company incorporated in Beijing, the PRC. Beijing Ctrip holds an air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. A senior officer of the Company and Shanghai Ctrip Commerce collectively hold 100% of the equity interest in Beijing Ctrip. The registered capital of Beijing Ctrip was RMB40,000,000 as of December 31, 2013.

Guangzhou Ctrip is a domestic company incorporated in Guangzhou, the PRC. Guangzhou Ctrip holds air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. Two senior officers of the Company collectively hold 100% of the equity interest in Guangzhou Ctrip. The registered capital of Guangzhou Ctrip was RMB3,000,000 as of December 31, 2013.

Shanghai Ctrip is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. In September 2012, the Company purchased of the ownership interests from the unrelated minority shareholder and effected a simultaneous reduction of capital of Shanghai Ctrip.

Upon completion of the above transactions, a senior officer of the Company control 100% of the equity interest in Shanghai Ctrip. The registered capital of Shanghai Ctrip was RMB10,000,000 as of December 31, 2013.

Shenzhen Ctrip is a domestic company incorporated in Shenzhen, the PRC. Shenzhen Ctrip holds air transport sales

agency license and domestic travel agency license and is engaged in the provision of air-ticketing service. Two senior officers of the Company collectively hold 100% of the equity interest in Shenzhen Ctrip. The registered capital of Shenzhen Ctrip was RMB2,500,000 as of December 31, 2013.

Ctrip Insurance is an insurance agency incorporated in Shanghai, the PRC. Ctrip Insurance was established in July 2011. Ctrip Insurance holds an insurance agency business license. Shanghai Ctrip Commerce and Ctrip Computer Technology (Shanghai) Co., Ltd. (Ctrip Computer Technology) hold 100% of the equity interest in Ctrip Insurance. The registered capital of Ctrip Insurance was RMB50,000,000 as of December 31, 2013.

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Shanghai Huacheng is a domestic company incorporated in Shanghai, the PRC. Shanghai Huacheng holds a domestic travel agency license and an air transport sales agency license and mainly provides domestic tour services and air-ticketing services. Shanghai Ctrip Commerce holds 100% of the equity interest in Shanghai Huacheng. The registered capital of Shanghai Huacheng was RMB69,950,000 as of December 31, 2013.

Chengdu Ctrip is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip holds air transport sales agency license and domestic travel agency license and is engaged in the provision of air-ticketing service. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip. The registered capital of Chengdu Ctrip was RMB11,500,000 as of December 31, 2013.

Chengdu Ctrip International is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip International holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip International. The registered capital of Chengdu Ctrip International was RMB2,000,000 as of December 31, 2013.

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

As of December 31, 2013, the Company has various agreements with its consolidated VIEs and VIEs subsidiaries, including loan agreements, exclusive technical consulting and services agreements, share pledge agreements, exclusive option agreements and other operating agreements.

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

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

Amended and Restated Technical Consulting and Services Agreement: Ctrip Computer Technology, Ctrip Travel Network and Ctrip Travel Information provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. In consideration for our services, our affiliated Chinese entities agree to pay us service fees as calculated in such manner as determined by us from time to time based on the nature of service, which may be adjusted periodically. For 2013, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB8 (US$1) to RMB85 (US$14) per ticket and from RMB27 (US$4) to RMB125 (US$21) per person per tour. Although the service fees are typically determined based on the number of air tickets sold and packaged tour products sold, given the fact that the nominee shareholders of our affiliated Chinese entities have irrevocably appointed the employees of our subsidiaries to vote on their behalf on all matters they are entitled to vote on, we have the right to determine the level of service fees paid and therefore receive substantially all of the economic benefits of our affiliated Chinese entities in the form of service fees. The services fees paid by all of our affiliated Chinese entities as a percentage of their total net income were 77.7%, 82.7% and 105.9% for the years ended December 31, 2011, 2012 and 2013. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a 30-day advance written notice to the applicable affiliate Chinese entity.

Amended and Restated Share Pledge Agreements: The shareholders of our affiliated Chinese entities have pledged their respective equity interests in our affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by our affiliated Chinese entities of the technical and consulting services fees to us under the amended and restated technical consulting and services agreements, repayment of the business loan under the amended and restated business loan agreements and performance of obligations under the amended and restated exclusive option agreements, each agreement as described herein. In the event any of our affiliated Chinese entity breaches any of its obligations or any shareholder of our affiliated Chinese entities breaches his/her obligations, as the case may be, under these agreements, we are entitled

to enforce the equity pledge right and sell or otherwise dispose of the pledged equity interests, and retain the proceeds from such sale or require any of them to transfer his or her equity interest without consideration to the PRC citizen(s) designated by us. These amended and restated share pledge agreements came into effect on the day when the respective pledgors became shareholders of our affiliated Chinese entities, and shall expire two years after the pledgor and the affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

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

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

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

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

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

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

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

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

Pursuant to the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs, and can have assets transferred freely out of the VIEs without any restrictions. Therefore the Company considers that there is no asset of a consolidated VIE that can be used only to settle obligations of the VIE, except for registered capital and PRC statutory reserves of the VIEs amounting to a total of RMB444 million as of December 31, 2013. As all the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs.

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

	As of December 31,	
	2012	**2013**
	RMB	**RMB**
Total assets	3,724,911,506	5,982,258,881
Less: Inter-company receivables	(542,006,382)	(373,041,663)
Total assets excluding inter-company	3,182,905,124	5,609,217,218
Total liabilities	2,835,938,149	5,287,287,035
Less: Inter-company payables	(564,890,117)	(1,442,636,737)
Total liabilities excluding inter-company	2,271,048,032	3,844,650,298

As of December 31, 2012 and 2013, the VIEs assets mainly consisted of cash and cash equivalent (December 31, 2012: RMB1.4 billion, December 31, 2013: RMB 1.5 billion), short-term investment (December 31, 2012: RMB118 million, December 31, 2013: RMB 1.6 billion), accounts receivables (December 31, 2012: RMB754 million, December 31, 2013: RMB1.1 billion), and prepayments and other current assets (December 31, 2012: RMB534 million, December 31, 2013: RMB912 million). The inter-company receivables of RMB542 million and RMB373 million as of December 31, 2012 and 2013 mainly represented the cash paid by a VIE to one of the Company s WFOEs for treasury cash management purpose.

As of December 31, 2012 and 2013, the VIEs liabilities mainly consisted of advance from customers (December 31, 2012: RMB1.2 billion, December 31, 2013: RMB2.1 billion), accounts payable (December 31, 2012: RMB792 million, December 31, 2013: RMB1.3 billion), taxes payable (December 31, 2012: RMB66 million, December 31, 2013: RMB46 million), salary and welfare payable (December 31, 2012: RMB78 million, December 31, 2013: RMB119 million), other payables and accruals (December 31, 2012: RMB79 million, December 31, 2013: RMB181 million). The inter-company payables as of December 31, 2012 and 2013 were RMB565 million and RMB1.4 billion, respectively, which primarily consisted of the payables due to Ctrip.com (Hong Kong) Limited (Ctrip HK), one of the Company s wholly-owned subsidiaries, for its payment of overseas air tickets and tour packages on behalf of a VIE and another VIEs subsidiary and the service fees payable to the WFOEs under the technical consulting and services agreements, which are operational in nature from the VIEs and their subsidiaries perspectives.

	For the year ended December 31,		
	2011	**2012**	**2013**
	RMB	**RMB**	**RMB**
Net revenues	1,923,643,591	2,465,286,325	3,137,211,893
Cost of revenues	461,223,883	644,886,101	904,328,902
Net income / (loss)	206,213,884	198,929,052	(74,463,933)

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As aforementioned, the VIEs mainly conduct air-ticketing, travel agency, advertising and value-added telecommunication businesses. Revenues from VIEs accounted for around 58% of the Company s total revenues in 2013. The air-ticketing and packaged-tour revenues continued to increase in 2013, primarily driven by the increase in the air-ticketing volume and leisure travel volume.

The VIEs net income before the deduction of the inter-company consulting fee charges were RMB956 million, RMB1.1 billion and RMB1.3 billion for the years ended December 31, 2011, 2012 and 2013, respectively.

The amount of service fees paid by all the VIEs as a percentage of the VIEs total net income were 77.7%, 82.7%and 105.9% for the years ended December 31, 2011, 2012 and 2013, respectively.

The WFOEs are the sole and exclusive provider of technical consulting and related services and information services for the VIEs. Pursuant to the Exclusive Technical Consulting and Service Agreements, the VIEs pay service fees to the WFOEs based on the VIEs actual operating results. The WFOEs are entitled to receive substantially all of the net income and transfer a majority of the economic benefits in the form of service fees from the VIEs and VIEs subsidiaries to the WFOEs. The WFOEs did not request service fee payments of RMB201 million, RMB286 million from Chengdu Ctrip and Chengdu Ctrip International during the years ended December 31, 2011 and 2012, respectively, primarily for tax planning purpose. In 2013, Chengdu Ctrip and Chengdu Ctrip International started to pay service fee to WFOEs and the retained earnings of 2013 have been transferred to the WFOEs. For the undistributed earnings of 2011 and 2012, tax planning strategies are in place to support their enterprise income tax free treatment.

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

Foreign currencies

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

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

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

Translations of amounts from RMB into US$ are solely for the convenience of the reader and were calculated at the rate of US$1.00 = RMB6.0537 on December 31, 2013, representing the certificated exchange rate published by the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2013, or at any other rate.

Cash and cash equivalents

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

Restricted cash

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

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Short-term investment

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

Long term loan receivable

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

Land use rights

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

Property, equipment and software

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

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

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

Investments

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

Cost method is used for investments over which the Company does not have the ability to exercise significant influence. Gain or losses are realized when such investments are sold or when dividends are declared or payments are recognized. In October, 2013, the company contributed 5% equity shares in Zhong An Online Property Insurance Co., Ltd. In December 2013, the Company acquired approximately 4% equity shares in Keystone Lodging Holdings Limited (Keystone), which in 2013 merged with 7 Days Group Holdings Limited (7 Days), a leading economy hotel chain based in China. Cost method of accounting was applied to both transactions due to lack of ability to exercise significant influence (Note 8).

The Company applies equity method in accounting for our investments in entities in which the Company has the ability to exercise significant influence but does not own a majority equity interest or otherwise controls. In 2008, the Company acquired equity interest in Home Inns & Hotels Management Inc. (Home Inns) and on May 21, 2009, the Company started to have the ability to exercise significant influence and meeting requirement to apply equity method of accounting (Note 8). In May, 2012, the Company sold 51% equity of Starway Hotels (Hong Kong) Limited (Starway Hong Kong) and recorded the 49% of retained non-controlling interests following the equity method of accounting. In November, 2013, the Company further sold the remaining 49% equity interest of Starway Hong Kong (Note 8). In November, 2013, the Company acquired 35% equity shares in Shanghai Yishang Network Technology Co., Ltd(Yishang Network) with a cash consideration of RMB13 million along with a contingent consideration, resulting in the Company possessing the ability to exercise significant influence and meeting requirement to apply equity method of accounting (Note 8). Unrealized gains on transactions between the Company and the affiliated entity are eliminated to the extent of the Company s interest in the affiliated entity; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company assesses the contingent consideration on the equity method investments in accordance with ASC 323, Investments - Equity Method and Joint Ventures , where the Company assesses the fair value of the investment to determine the contingent consideration to be recorded as liability (Note 8). The initial liability recorded will be part of the equity investment cost, and subsequently upon resolution of the contingency, the fair value of the consideration paid should be compared to the initial liability recorded. If the consideration paid exceeds the liability initially recorded, that amount shall be recognized as an additional cost of the investment, otherwise that amount shall reduce the cost of the investment.

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

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

Fair value measurement of financial instruments

Financial instruments of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, due from related parties, available-for-sale investments, accounts payable, due to related parties, advances from customers, short-term bank borrowings, other short-term liabilities and long-term debts. As of December 31, 2012 and 2013, carrying values of these financial instruments except for short-term investments and available-for-sale investments approximated their fair values because of their generally short maturities, and the carrying value of the long-term debts also approximates their fair value, as they bear interest at rates determined based on prevailing interest rates in the market. The Company reports short-term investments and available-for-sale investments at fair value at each balance sheet date and changes in fair value are reflected in the statements of income and comprehensive income.

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

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

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

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

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

Business combination

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

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

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

Acquisitions

Wing On Travel

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

A B2B Hotel Reservation Company

In August, 2013, the Company completed the transaction to acquire controlling shares of a B2B hotel reservation company, through which the Company expects to further enrich its hotel products and to expand in hotel business. The purchase consideration is approximately RMB46 million (US$8 million). The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities, based in part on independent appraisal reports as well as its experience with purchasing similar assets and liabilities in similar industries. Approximately RMB72 million (US$12 million) excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recorded as goodwill. The financial results of the acquired entity have been included in the Company s consolidated financial statements since the acquisition date and were not significant for the Company for the year ended December 31, 2013.

A Wholesaler Operated Hotel Reservation and Air Ticketing Services

In August, 2013, the Company completed the transaction to acquire 100% of the share capital of a wholesaler operated hotel reservation and air ticketing services, which the Company expects to complement its existing business and achieve significant synergies. The purchase consideration is HK$120 million (US$16 million). The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities, based in part on independent appraisal reports as well as its experience with purchasing similar assets and liabilities in similar industries. Approximately RMB44 million (US$7 million) excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recorded as goodwill. The financial results of the acquired entity have been included in the Company s consolidated financial statements since the acquisition date and were not significant for the Company for the years ended December 31, 2013.

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Other acquisitions

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

Goodwill and other intangible assets

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

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

As of December 31, 2013, the step one analysis performed indicated that the fair value of the Company s reporting units was substantially greater than the respective carrying value. There was no impairment of goodwill during the years ended December 31, 2013, 2012 and 2011. Each quarter the Company reviews the events and circumstances to determine if goodwill impairment may be indicated.

Separately identifiable intangible assets that have determinable lives continue to be amortized and consist primarily of non-compete agreements, customer list, supplier relationship, technology patent and a cross-border travel agency license as of December 31, 2012 and 2013. The Company amortizes intangible assets on a straight-line basis over their estimated useful lives, which is three to ten years. The estimated life of amortized intangibles is reassessed if circumstances occur that indicate the life has changed. Other intangible assets that have indefinite useful life primarily include trademark and domain names as of December 31, 2012 and 2013. The Company evaluates indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment.

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

No impairment on other intangible assets was recognized for the years ended December 31, 2011, 2012 and 2013.

Impairment of long-lived assets

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

No impairment of long-lived assets was recognized for the years ended December 31, 2011, 2012, and 2013.

Accrued liability for customer reward program

The Group s customers participate in a reward program, which provides travel awards and other gifts to members based on accumulated membership points that vary depending on the services rendered and fees paid. The estimated incremental costs to provide free travel and other gifts are recognized as sales and marketing expense in the statements of income and comprehensive income and accrued for as a current liability as members accumulate points. As members redeem awards or their entitlements expire, the accrued liability is reduced correspondingly. As of December 31, 2012, and 2013, the Group s accrued liability for its customer reward program amounted to RMB218 million and RMB285 million, respectively, based on the estimated liabilities under the customer reward program. Our expenses for the customer rewards program were approximately RMB128 million, RMB157 million and RMB203 million for the years ended December 31, 2011, 2012 and 2013.

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Deferred revenue

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

Revenue recognition

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

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

In November 2011, the Ministry of Finance released Circular Caishui [2011] No. 111 mandating Shanghai to carry out a pilot program of tax reform. Effective January 1, 2012, selected entities within modern service industries will switch from a business tax payer to a value-added tax (VAT) payer. In May 2013, the Ministry of Finance released Circular Caishui [2013] No. 37 to extend the tax reform nationwide. Effective August 1, 2013, entities within transportation service and selected modern service industries will switch from a business tax payer to a value-added tax (VAT) payer. The Company expects such tax reform will not have material impact on its consolidated financial statements.

Hotel reservation services

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

Ticketing services

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

Packaged-tour

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

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

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Corporate travel

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

Other businesses

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

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

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

Allowance for doubtful accounts

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

	2011 RMB	2012 RMB	2013 RMB
Balance at beginning of year	5,718,742	4,974,138	4,351,963
Provision for doubtful accounts	185,443	376,164	2,842,681
Write-offs	(930,047)	(998,339)	(1,297,741)
Balance at end of period	4,974,138	4,351,963	5,896,903

Cost of revenues

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

Product development

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

Sales and marketing

Sales and marketing expenses consist primarily of costs of payroll and related compensation for the Company s sales and marketing personnel, advertising expenses, and other related marketing and promotion expenses. Advertising expenses, amounting to RMB163,324,295, RMB275,501,438 and RMB537,757,200 for the years ended December 31, 2011, 2012 and 2013 respectively, are charged to the statements of income as incurred.

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Share-based compensation

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

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

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

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

Share incentive plans

On November 5, 2004, the Company s board of directors adopted a 2005 Employee s Stock Option Plan (2005 Option Plan). The 2005 Option Plan was approved by the shareholders of the Company in October 2005. The Company has reserved 3,000,000 ordinary shares for future issuances of options under the 2005 Option Plan. The terms of the 2005 Option Plan are substantially similar to the Company s 2003 Option Plan. As of December 31, 2012 and 2013, 829,409 and 587,596 options were outstanding under the 2005 Option Plan respectively.

On October 17, 2007, the Company adopted a 2007 Share Incentive Plan (2007 Incentive Plan), which was approved by the shareholders of the Company on June 15, 2007. Under the 2007 Incentive Plan, the maximum aggregate number of shares, which may be issued pursuant to all share-based awards (including Incentive Share Options and Restricted Share Units (RSU)), is one million ordinary shares as of the first business day of 2007, plus an annual increase of one million shares to be added on the first business day of each calendar year beginning in 2008 to 2016. Under the 2007 Incentive Plan, the directors may, at their discretion, grant any employees, officers, directors and consultants of the Company and/or its subsidiaries such share-based awards. Shares options granted under 2007 Incentive Plan are vested over a period of 4 years. RSUs granted under 2007 Incentive Plan have a restricted period for 4 years. As of December 31, 2012 and 2013, 3,090,126 and 3,543,136 options and 646,301 and 623,424 RSUs were outstanding under the 2007 Incentive Plan.

Option modification

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

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

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

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

A summary of option activity under the share option plans

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2010	4,414,481	67.71	5.98	415,360,566
Granted	1,375,345	136.86		
Exercised	(207,142)	38.12		
Forfeited	(149,143)	115.98		
Outstanding at December 31, 2011	5,433,541	85.02	5.59	144,827,231
Granted	961,980	79.55		
Exercised	(502,991)	29.39		
Forfeited	(71,623)	136.67		
Converted to RSU in January 2012	(1,901,372)	91.8		
Outstanding at December 31, 2012	3,919,535	64.81	5.14	57,772,345
Granted	945,106	79.70		
Exercised	(660,459)	48.05		
Forfeited	(73,450)	91.75		
Outstanding at December 31, 2013	4,130,732	70.42	4.99	528,988,489
Vested and expect to vest at December 31, 2013	3,982,976	69.95	4.92	511,937,931
Exercisable at December 31, 2013	2,283,785	60.18	3.58	315,856,509

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

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

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company s closing stock price of US$198.48 as of December 31, 2013 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2013.

The total intrinsic value of options exercised during the years ended December 31, 2011, 2012 and 2013 were US$25 million US$34 million and US$99 million, respectively.

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The following table summarizes information related to outstanding and exercisable options as of December 31, 2013 (in US$, except shares):

	Outstanding			Exercisable		
Range of Exercise Prices	Number of shares	Weighted-Average Exercise Price	Weighted-average Remaining Contractual Life (Years)	Number of shares	Weighted-Average Exercise Price	Weighted-average Remaining Contractual Life (Years)
23.00-34.99	1,125	30.50	0.12	1,125	30.50	0.12
35.00-44.99	1,353,069	38.06	3.08	1,353,069	38.06	3.08
45.00-58.99	157,558	58.39	1.12	157,558	58.39	1.12
59.00-77.99	1,358,411	76.78	6.98	98,324	70.69	6.43
78.00-96.99	731,131	91.36	5.24	374,298	94.61	4.28
97.00-129.99	466,500	106.12	5.61	257,333	108.79	5.40
130.00-159.99	62,938	151.78	5.17	42,078	150.76	5.10
	4,130,732			2,283,785		

The weighted average fair value of options granted during the years ended December 31, 2011, 2012 and 2013 was US$64.79, US$38.01 and US$38.40 per share, respectively.

As of December 31, 2013, there was US$78 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options which are expected to be recognized over a weighted average period of 2.6 year. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. For the year ended December 31, 2013, total cash received from the exercise of share options amounted to RMB180,261,090 (approximately US$30 million).

The Company calculated the estimated fair value of share options on the date of grant using the Black-Scholes pricing model with the following assumptions for the years ended December 31, 2011, 2012 and 2013:

	2011	2012	2013
Risk-free interest rate	0.81% - 2.11%	0.71%-1.05%	0.69%-0.87%
Expected life (years)	5.0	5.0	5.0
Expected dividend yield	0%	0%	0%
Volatility	53%-55%	56%	56%
Fair value of options at grant date per share	from US$48.69 to US$74.39	from US$33.44 to US$42.18	from US$37.96 to US$39.69

A summary of RSUs activities under the share option plans

The Company granted 188,407, 164,976 and 259,365 RSUs to employees with 4 year requisite service period for the years ended December 31, 2011, 2012 and 2013, respectively. In additional, pursuant to the Replacement mentioned above, another 475,343 RSUs replaced the 1,901,372 options initially granted under the 2007 incentive plan.

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

	Number of Shares	Weighted average grant date fair value(US$)
Restricted shares		
Outstanding at December 31, 2011	190,916	130.29
Granted	164,976	82.34
Converted from option in January 2012	475,343	
Exercised	(124,644)	129.84
Forfeited	(60,290)	128.27
Unvested at December 31, 2012	646,301	101.30*
Granted	259,365	79.23
Exercised	(224,939)	118.54
Forfeited	(57,303)	85.40
Unvested at December 31, 2013	623,424	83.60*

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

Total share-based compensation cost for the RSUs amounted to US$22.5million, US$12.5 million and US$13.2 million for the years ended December 31, 2011, 2012 and 2013, respectively. As of December 31, 2013, there was US$31 million unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted shares, which are to be recognized over a weighted average vesting period of 2.3 years. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

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Operating leases

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

Taxation

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

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

As of both December 31, 2012 and 2013, the Company did not record any liability for uncertain tax positions. The Company s policy is to recognize, if any, tax related interest as interest expenses and penalties as general and administrative expenses. For 2013, the Company did not have any interest and penalties associated with tax positions.

Other income (net)

Other income primarily consists of financial subsidies, investment income and foreign exchange gains/(losses). Financial subsidies from local PRC government authority were recorded as other income in the consolidated statements of income. There are no defined rules and regulations to govern the criteria necessary for companies to enjoy such benefits and the amount of financial subsidy are determined at the discretion of the relevant government authority. Financial subsidies are recognized as other income when received. Components of other income for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	**2012**	**2013**
	RMB	**RMB**	**RMB**
Financial subsidies	72,791,093	90,280,139	119,697,248

Foreign exchange gains/(losses)	34,879,388	(9,781,057)	32,523,857
Reimbursement from the depository	8,080,557	7,914,706	17,507,842
Loss from disposal of property, equipment and software	(3,379,449)	(653,191)	(11,946,443)
Gain on disposal of cost method investment			4,014,829
Gain on disposal of equity investment			592,742
Gain on deconsolidation of subsidiaries		44,432,052	
Others	5,252,136	(1,904,706)	732,299
Total	117,623,725	130,287,943	163,122,374

Statutory reserves

The Company s PRC subsidiaries and the VIEs are required to allocate at least 10% of their after-tax profit to the general reserve in accordance with the PRC accounting standards and regulations. The allocation to the general reserve can be stopped if such reserve has reached 50% of the registered capital of each company. Appropriations to the enterprise expansion fund, staff welfare and bonus fund are at the discretion of the board of directors of Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, Ctrip Information Technology and Software Hotel Information, the subsidiaries of the Company. Appropriations to discretionary surplus reserve are at the discretion of the board of directors of the VIEs. These reserves can only be used for specific purposes and are not transferable to the Company in form of loans, advances, or cash dividends. During the years ended December 31, 2011, 2012, and 2013, appropriations to statutory reserves have been made of RMB3,408,849, RMB3,371,696, and RMB13,500,462, respectively. The Company s subsidiary in Taiwan, ezTravel, is required to allocate 10% of its after-tax profit to the statutory reserve in accordance with the Taiwan regulations. During the years ended December 31, 2012 and 2013, appropriations to statutory reserves equivalent to RMB1,801,148, and RMB1,726,256 have been made, respectively. There is no such regulation of providing statutory reserve in Hong Kong.

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Dividends

Dividends are recognized when declared.

PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The Company s PRC subsidiaries can only distribute dividends after they have met the PRC requirements for appropriation to statutory reserves. Additionally, as the Company does not have any direct ownership in the VIEs, the VIEs cannot directly distribute dividends to the Company. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. As substantially all of our revenues are in RMB, any restrictions on currency exchange may limit our ability to use revenue generated in RMB to fund our business activities outside China or to make dividend payments in U.S. dollars. Restricted net assets of the Company s PRC subsidiaries and VIEs not distributable in the form of dividends to the parent as a result of the aforesaid PRC regulations and other restrictions were RMB1.3 billion as of December 31, 2013.

As a result of the aforementioned PRC regulation and the Company s organizational structure, accumulated profits of the subsidiaries in PRC distributable in the form of dividends to the parent as of December 31, 2011, 2012 and 2013 were RMB2.9 billion, RMB3.6 billion and RMB4.6 billion, respectively. The Company s PRC subsidiaries and VIEs are able to enter into royalty and trademark license agreements or certain other contractual arrangements at the discretion of the Company without third party consent, for which the compensatory element of the arrangement is excluded from the accumulated profits.

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

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

Earnings per share

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

Treasury stock

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

Treasury stock consists of ADS repurchased by the Group under these three plans. In October 2013, US$45.5 million convertible senior notes issued in 2012 was early converted and 588,219 shares of repurchased treasury stock were delivered to bond holders. As of December 31, 2013, the Company had 3,777,087 shares treasury stock at total cost of US$256 million. Treasury stock is accounted for under the cost method.

Segment reporting

The Company operates and manages its business as a single segment. In accordance with *Disclosures about Segment of an Enterprise and Related Information* , the Company s chief operating decision-maker has been identified as the CEO, who reviews operating results to make decisions about allocating resources and assessing performance for the entire company. Since the Company operates in one reportable segment, all financial segment and product information required by this statement can be found in the Consolidated Statements.

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

Reclassifications

Certain reclassifications have been made to the prior year s consolidated financial statements to conform to the current year s presentation and had no impact on net income/(loss) or total shareholders equity.

Recent accounting pronouncements

In July 2012, the FASB issued ASU 2012-02, Intangibles Goodwill and Other: Testing Indefinite Lived Intangible Assets for Impairment . The Update applies to all entities, both public and nonpublic, that have indefinite-lived intangible assets, other than goodwill, reported in their financial statements. Per the Update, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The assessment of qualitative factors is optional and at our discretion, the Group bypassed the qualitative assessment as of December 31, 2013 and performed the first step of the quantitative goodwill and intangible assets impairment test.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income . This Update does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, this Update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This Update is effective prospectively for reporting periods beginning after December 15, 2012 for public entities. The Company adopted ASU 2013-02 effective January 1, 2013. Such adoption did not have a material effect on the Company s financial position or results of operations.

In March of 2013, the FASB issued ASU 2013-05, Foreign Currency Matters (Topic 830), Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The amendments clarify the applicable guidance for the release of the cumulative translation adjustment when 1. an entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity; 2. there is a loss of a controlling financial interest in a foreign entity or a step acquisition involving an equity method investment that is a foreign entity; and 3. sales or transfers of a controlling financial interest within a foreign entity is the same irrespective of whether the sale or transfer is of a subsidiary or a group of assets (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) that is a nonprofit activity or business. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted. If an entity elects to early adopt the amendments, it should apply them as of the beginning of the entity s fiscal year of adoption. The Company does not expect ASU 2013-05 to have a significant impact on the Group s consolidated result of operations and financial condition.

In March of 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . The amendment clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The Company does not expect ASU 2013-11 to have a significant impact on the Group s consolidated result of operations and financial condition.

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Certain risks and concentration

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investment, accounts receivable, amounts due from related parties, prepayments and other current assets. As of December 31, 2011, 2012 and 2013, substantially all of the Company s cash and cash equivalents, restricted cash and short-term investment were held in major financial institutions located in the PRC and in Hong Kong, which management considers to be of high credit quality. Accounts receivable are generally unsecured and denominated in RMB, and are derived from revenues earned from operations arising primarily in the PRC.

No individual customer accounted for more than 10% of net revenues for the years ended December 31, 2011, 2012 and 2013. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2012 and 2013.

3. PREPAYMENTS AND OTHER CURRENT ASSETS

Components of prepayments and other current assets as of December 31, 2012 and 2013 were as follows:

	2012 RMB	2013 RMB
Prepayments and deposits to vendors	644,317,439	1,083,771,955
Interest receivable	36,543,547	55,861,029
Receivables from financial institution	14,368,206	28,303,638
Employee advances	3,676,848	10,476,537
Prepayments for property and equipment	7,885,594	4,575,720
Receivables related to Capped Call Option (Note 18)	264,779,132	
Others	22,249,774	32,767,408
Total	993,820,540	1,215,756,287

4. LONG-TERM DEPOSITS AND PREPAYMENTS

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

Components of long-term deposit and prepayments as of December 31, 2012 and 2013 were as follows:

	2012	2013

	RMB	RMB
Prepayments for fixed assets	15,499,330	263,626,283
Unamortized debt issuance cost	32,396,007	127,815,384
Deposits paid to airline suppliers	126,190,327	127,011,881
Deposit paid to lessor	18,413,764	15,161,665
Deposit paid to travel bureau	110,000	2,051,195
Others	18,008,882	23,519,244
Total	210,618,310	559,185,652

5. LONG-TERM LOAN RECEIVABLE

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

6. LAND USE RIGHTS

The Company s land use rights are related to the payment to acquire three land use rights, one of total cost RMB68,269,734 for approximately 17,000 square meters of land in Shanghai, on which the Group has built an information and technology center. The second one was RMB48,912,729 for approximately 19,500 square meters of land in Nantong, which was put into use in May, 2010. The third one was RMB9,747,800 for approximately 9,000 square meters of land in Chengdu, on which the Group plans to build an information and technology center of West China. According to land use right policy in the PRC, the Company has a 50-year use right over the land in Shanghai, a 40-year use right over the land in Nantong, and a 50-year use right over the land in Chengdu, which are used as the basis for amortization, respectively. Amortization expense for the years ended December 31, 2011, 2012 and 2013 was RMB2,620,706, RMB2,801,615 and RMB3,182,490, respectively. As of December 31, 2012 and 2013, the net book value was RMB110,659,284 and RMB107,476,794, respectively.

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7. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software and its related accumulated depreciation and amortization as of December 31, 2012 and 2013 were as follows:

	2012 RMB	2013 RMB
Buildings	892,430,743	1,050,102,815
Computer equipment	232,200,943	256,542,169
Website-related equipment	107,209,531	135,116,574
Furniture and fixtures	58,079,451	60,468,480
Software	43,782,203	52,640,160
Leasehold improvements	28,866,215	44,835,912
Construction in progress	81,050,521	199,363,516
Less: accumulated depreciation and amortization	(319,682,416)	(386,125,933)
Total net book value	1,123,937,191	1,412,943,693

From November, 2011, the Company started to build an information and technology center in Chengdu. All direct costs of the information and technology center were originally capitalized as construction in progress.

Depreciation expense for the years ended December 31, 2011, 2012 and 2013 was RMB78,809,867, RMB88,462,807 and RMB110,494,928, respectively.

8. INVESTMENTS

The Company s long-term investments consisting of cost method investments, equity method investments and available-for-sale securities as of December 31, 2012 and 2013 were as follows:

	2012 RMB	2013 RMB
Hanting (available-for-sale)	585,540,705	1,016,455,767
eHi (available-for-sale)		570,977,550
Easy Go (available-for-sale)		143,904,165
Dining Secretary (available-for-sale)	60,234,118	56,242,365
Happy City (available-for-sale)		37,358,327
Home Inns (equity method)	762,423,802	801,550,868
Yishang Network (equity method)		21,665,182
Starway Hong Kong (equity method)	15,656,192	
Keystone (cost method)		155,330,749
Zhong an Online (cost method)		50,000,000
Others	13,393,132	3,728,507

Total net book value	1,437,247,949	2,857,213,480

China Lodging Group, Limited (Hanting)

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

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

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The closing price of Hanting as of December 31, 2013 is US$30.46 per ADS. As of December 31 2013, the Company recorded the investment in Hanting at a fair value of RMB1.0 billion (approximately US$168 million), with RMB608 million increase in fair value of the investment credited to other comprehensive income.

eHi Auto Services Limited. (eHi)

In December 2013, the Company entered into share purchase agreements to acquire 19.6% equity stake of eHi, one of the largest car rental companies in China, by subscribing its Series E convertible preferred shares with a total consideration of US$94.05 million. The transaction was closed on December, 11, 2013.

The Company recorded this investment as an available-for-sale debt security since the Company does not have the ability to exercise significant influence and the preferred shares purchased by the Company are redeemable at the option of the Company. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. There is no significant change in fair value of the investment from the initial investment day to the December 31, 2013.

Easy Go Inc. (Easy Go)

In October 2013, the Company entered into share purchase agreements to acquire 20.0% equity stake of Easy Go by subscribing its Series B convertible preferred shares with a total consideration of US$23 million. The transaction was closed on December, 13, 2013.

The Company recorded this investment as an available-for-sale debt since the Company does not have the ability to exercise significant influence and the preferred shares purchased by the Company are redeemable at the option of the Company. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. There is no significant change in fair value of the investment from the initial investment day to the December 31, 2013.

Dining Secretary China Limited (Dining Secretary)

In November 2010, the Company entered into agreements to acquire a minority stake of Dining Secretary s Series B convertible preferred shares with total consideration of US$10 million. The transaction was closed on November 24, 2010. Headquartered in Shanghai, Dining Secretary is a leading provider of free online and offline restaurant reservations for diners. Dining Secretary operates in many cities in China, serving diners and restaurants with a call center and the website www.95171.cn.

The Company recorded this investment as an available-for-sale debt security. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. The decrease in fair value of the investment in Dining Secretary of RMB4.3 million (approximately US$0.7 million) was recorded to other comprehensive income as of December 31, 2013.

Happy City Holdings Limited (Happy City)

In June 2013, the Company entered into agreements to acquire 33% equity stake of the Series A preferred shares in Happy City Holding Limited, a privately owned mobile application software company, with total consideration of US$6 million. Through its subsidiaries in PRC, Happy City is engaged in development and operation of a mobile application for hotel searching and booking.

The Company recorded this investment as an available-for-sale debt security since the preferred shares purchased by the Company are redeemable at the option of the Company and are not common stocks in substance. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. There is no significant change in fair value of the investment from the initial investment day to the December 31, 2013.

Home Inns & Hotels Management Inc. (Home Inns)

The Company purchased ADSs of Home Inns from time to time through the open market and in a private placement transaction. As of December 31, 2013, the Company held an aggregate equity interest of approximately 15.39% of the outstanding shares of Home Inns (or 14,400,765 shares). Given the level of investment and the common directors on Board of both companies, the Company applied equity method of accounting to account for the investment in Home Inns.

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

On October 1, 2011, Home Inns completed a transaction to acquire 100% equity interest in a business, pursuant to which Home Inns issued additional ordinary shares as part of the total consideration. As a result, the Company s equity interest in Home Inns effectively decreased from 17.47% to 15.39%. In accordance with ASC 323-10-40-1, the Company accounts for a share issuance by an investee as if the investor had sold a proportionate share of its investment. The issuance price per share of the newly issued capital by the investee is higher than the Company s average per share carrying amount, thus the Company recognized the non-cash gain of RMB39.3 million for the period ended December 31, 2012. The Company picks up equity calculation of Home Inns on a quarter lag basis, as the Company is not able to timely obtain all necessary financial information from Home Inns to perform the equity investment reconciliations between the Company and Home Inns.

The carrying amount and unrealized securities holding profit for investment in Home Inns as of December 31, 2012 and 2013 were as follows:

	2012 **RMB**	**2013** **RMB**
Investment cost		
Balance at beginning of year	576,296,429	570,709,828
Foreign currency translation	(5,586,601)	(16,083,543)
Total investment cost	570,709,828	554,626,285
Value booked under equity method		
Share of cumulative profit	206,428,719	265,745,783
Amortization of identifiable intangible assets, net of tax	(14,714,745)	(18,821,200)
Total booked value under equity method	191,713,974	246,924,583
Net book value	762,423,802	801,550,868

The financial information of Home Inns as of and for the twelve months ended September 30, 2012 and 2013 is as follows:

	2012 **RMB (000)**	**2013** **RMB (000)**
Current assets	1,480,017	1,621,982
Non-current assets	7,525,212	7,755,635
Current liabilities	1,927,080	1,776,838
Non-current liabilities	3,160,390	3,292,033
Retain earnings	1,018,922	1,175,874
Non-controlling interest	10,975	19,429
Total revenues	5,613,953	6,208,970
Net Revenues	5,269,377	5,825,490
Income from operations	270,689	455,294
Net income	4,338	191,009
Net (loss) / income attributable to Home Inns Group s shareholders	(395)	189,650

The closing price of Home Inns as of December 31, 2013 is US$43.64 per ADS, the aggregate market value of the Company s investment in Home Inns is approximately RMB1.9 billion (US$314 million).

Shanghai Yishang Network Technology Co., Ltd (Yishang Network)

In June 2013, the Company entered into agreements to acquire 35% equity shares in Yishang Network with total cash consideration of RMB13 million. The transaction was closed on November 30, 2013. Yishang Network is engaged in development and operation of a hotel customer reviews monitoring and management system. The Company applied equity method to account for the investment.

As part of the transaction, there was also a contingent consideration which was to be tied up to the 1-year total revenue and net income performance following the transaction date from June 1, 2013 to May 31, 2014. Based on the contingent consideration noted in the agreements, the enterprise value of Yishang will vary from US$5 million to US$17 million, depending on whether Yishang reaches the performance target or not. The Company assessed the estimated enterprise value of Yishang based on its financial result over the corresponding period and recognized fair value of contingent consideration as a liability of RMB 9 million, which was also a part of the equity investment cost.

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

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

Keystone Lodging Holdings Limited. (Keystone)

On December 3, 2013, the Company acquired approximately 4.0% equity shares in Keystone Lodging Holdings Limited (Keystone), which in 2013, merged with 7 Days Group Holdings Limited (7 Days), a leading economy hotel chain based in China. The total consideration given was RMB155 million (US$25.5M). The Company applied cost method of accounting to account for the investment due to lack of ability to exercise significant influence.

Zhong An Online Property Insurance Co., Ltd (Zhong An Online)

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

Other investments included cost method investment in BTG-Jianguo Hotels & Resorts Management Co., Ltd.(BTG-Jianguo) and equity investments in certain privately-held companies. In May 2013, the Company sold all its equity interest of BTG-Jianguo to a third business party, Beijing Capital Tourism Co., Ltd, and recognized an investment gain in other income of RMB 4.0million.

It has been concluded that the fair value of all investments above is greater than or equal to original cost, as a result, no impairments have been recorded for these investments.

9. FAIR VALUE MEASUREMENT

In accordance with ASC 820-10, the Company measures short-term investments and available-for-sale investments at fair value on a recurring basis. Available-for-sale investments classified within Level 1 are valued using quoted market prices that currently available on a securities exchange registered with the Securities and Exchange Commission (SEC). Short-term investments classified within Level 2 are valued using directly or indirectly observable inputs in the market place. The available-for-sale investments classified within Level 3 are valued based on a model utilizing unobservable inputs which require significant management judgment and estimation.

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

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

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	Fair Value Measurement at December 31, 2012 Using				
	Quoted Prices in Active Market for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Unobservable inputs (Level 3) RMB	Fair Value at December 31, 2012 RMB	US$
Short-term investments					
Financial products		1,030,000,000		1,030,000,000	165,326,399
Time deposits		378,664,335		378,664,335	60,779,817
Available-for-sale investments					
Hanting	585,540,705			585,540,705	93,985,763
Dining Secretary			60,234,118	60,234,118	9,668,243
Total	585,540,705	1,408,664,335	60,234,118	2,054,439,158	329,760,222

The roll forward of Level 3 eHi s investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2012	
Investment in Series E Preferred Shares of eHi	570,977,550
Transfer in and/or out of Level 3	
The change in fair value of the investment in eHi	
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	570,977,550
Fair value of available-for-sale investment (Level 3) as at December 31, 2013 (US$)	94,318,772

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

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2012	
Investment in Series B Preferred Shares of Easy Go	139,633,000
Transfer in and/or out of Level 3	
The change in fair value of the investment in Easy Go	4,271,165
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	143,904,165
Fair value of available-for-sale investment (Level 3) as at December 31, 2013 (US$)	23,771,275

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

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital (WACC)	28%
	Terminal growth rate	3%

	Lack of marketability discount (LoMD)	17.5%
Option pricing model	Time to liquidation	1.57 years
	Risk-free rate	0.955%
	Expected volatility	36.72%
	Probability	Liquidation scenario: 55% Redemption scenario: 40% Mandatory Conversion scenario: 5%
	Dividend yield	Nil

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

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2011	65,414,773
Investment in Series B Preferred Shares of Dining Secretary	
Transfer in and/or out of Level 3	
Effect of exchange rate change	(638,000)
The change in fair value of the investment in Ding Secretary	(4,542,655)
Fair value of available-for-sale (Level 3) investment as at December 31, 2012	60,234,118
Investment in Series B Preferred Shares of Dining Secretary	
Transfer in and/or out of Level 3	
Effect of exchange rate change	(1,764,000)
The change in fair value of the investment in Ding Secretary	(2,227,753)
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	56,242,365
Fair value of available-for-sale investment (Level 3) as at December 31, 2013 (US$)	9,290,577

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

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital (WACC)	28%
	Terminal growth rate	3%
	Lack of marketability discount (LoMD)	25%
Option pricing model	Time to liquidation	2.0 years
	Risk-free rate	1.08%
	Expected volatility	44.9%
	Probability	Liquidation scenario: 45% Redemption scenario: 45% IPO scenario: 10%
	Dividend yield	Nil

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

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2012	
Investment in Series A Preferred Shares of Happy City	36,715,800
Transfer in and/or out of Level 3	
The change in fair value of the investment in Happy City	642,527
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	37,358,327
Fair value of available-for-sale investment (Level 3) as at December 31, 2013 (US$)	6,171,156

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

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital (WACC)	27.5%
	Terminal growth rate	3%
	Lack of marketability discount (LoMD)	35%
Option pricing model	Time to liquidation	4.0 years
	Risk-free rate	1.462%
	Expected volatility	51.2%
	Probability	Liquidation scenario: 50% Redemption scenario: 50%
	Dividend yield	Nil

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

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10. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2012 and 2013 were as follows:

	2012 RMB	2013 RMB
Balance at beginning of year	798,601,767	822,585,341
Acquisition of a B2B hotel reservation company		72,406,431
Acquisition of a wholesaler operated hotel reservation and air ticketing services		43,993,740
Acquisition (Disposal) of others	23,983,574	33,545,672
Balance at end of period	822,585,341	972,531,184

In August 2013, the Company purchased 51% equity interest of a B2B hotel reservation company. Goodwill of RMB72 million was recognized from this acquisition (Note 2).

In August 2013, the Company purchased 100% equity interest of a wholesaler operated hotel reservation and air ticketing services. Goodwill of RMB44 million was recognized from this acquisition (Note 2).

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

Goodwill arose from the business combination completed in the years ended December 31, 2013 has been allocated to the single reporting unit of the Group. Goodwill represents the synergy effects of the business combination.

The Company performed goodwill impairment tests to determine if goodwill impairment is indicated in year 2012 and 2013, and the results of these tests indicated that the Company s goodwill was not impaired.

11. INTANGIBLE ASSETS

Intangible assets as of December 31, 2012 and 2013 were as follows:

	2012 RMB	2013 RMB
Intangible assets		
Intangible assets to be amortized		
Non-compete agreements	11,479,610	11,479,610
Customer list	15,942,578	15,942,578
Supplier Relationship	9,700,000	27,780,000
Technology patent	9,240,000	9,240,000
Cross-border travel agency license	1,117,277	1,117,277
Others		790,000
Intangible assets not subject to amortization		
Trade mark	290,715,235	314,329,235
Golf membership certificate	4,200,000	4,200,000
Others	8,736,321	8,785,287
	351,131,021	393,663,987
Less: accumulated amortization		
Intangible assets to be amortized		
Non-compete agreements	(9,183,688)	(11,479,610)
Customer list	(10,499,636)	(11,982,578)
Supplier Relationship	(1,455,000)	(3,178,333)
Technology patent	(7,392,000)	(9,240,000)
Cross-border travel agency license	(1,117,277)	(1,117,277)
Others		(13,167)
Intangible assets not subject to amortization		
Trade mark		
Golf membership certificate		
Others		
	(29,647,601)	(37,010,965)
Net book value		
Intangible assets to be amortized		
Non-compete agreements	2,295,922	
Customer list	5,442,942	3,960,000
Supplier Relationship	8,245,000	24,601,667
Technology patent	1,848,000	
Cross-border travel agency license		
Others		776,833
Intangible assets not subject to amortization		
Trade mark	290,715,235	314,329,235
Golf membership certificate	4,200,000	4,200,000
Others	8,736,321	8,785,287
	321,483,420	356,653,022

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Amortization expense for the years ended December 31, 2011, 2012 and 2013 was approximately RMB8,445,950, RMB7,736,767 and RMB7,363,364 respectively.

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

	Amortization RMB
2014	3,416,000
2015	3,416,000
2016	3,416,000
2017	3,416,000
2018	3,402,833
	17,066,833

12. SHORT-TERM BORROWINGS

In June 2012, the Group entered into a contract with China Construction Bank for a loan facility of up to US$72.75 million. In June 2013, the facility came to maturity and was extended for another 12 month. The facility is collateralized by a bank deposit of RMB500 million provided by one of the Company s wholly-owned subsidiaries. As of December 31, 2013, the Group made three borrowings of RMB441 million (US$73 million) in aggregate under the facility. The annual interest rate of borrowings is approximately 2.4%. The Company is in compliance with the loan covenant at December 31, 2013.

In August 2013, the Group entered into a contract with Agricultural Bank of China for a loan facility of US$40 million. The facility has a maturity of 12 months and is pledged by a bank deposit of RMB270 million classified as short-term investment of one of the Company s subsidiaries. As of December 31, 2013, the Group obtained two borrowings of RMB91 million (US$15 million) in aggregate under the facility. The annual interest rate of borrowings is approximately 2.4%. The Company is in compliance with the loan covenant at December 31, 2013.

In November 2013, the Group entered into a contract with China Construction Bank for a loan facility of up to US$40 million. The facility has a maturity of 3 months and is collateralized by a bank deposit of RMB270 million classified as short-term investment provided by one of the Company s wholly-owned subsidiaries. As of December 31, 2013, the Group obtained borrowings of RMB243 million (US$40 million) in aggregate under the facility. The annual interest rate of borrowings is approximately 2.4%. The Company is in compliance with the loan covenant at December 31, 2013.

13. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2011, 2012 and 2013 significant related party transactions were as follows:

	2011 RMB	2012 RMB	2013 RMB
Commissions from Home Inns	17,660,504	35,932,452	38,709,984
Commissions from Hanting	7,965,109	10,988,806	17,127,847
Consideration for disposal majority equity share of Starway Hong Kong from Hanting		17,131,759	16,459,926
Entrusted loan and interest to Yishang			13,374,109
Commissions from Starway Hong Kong		7,118,150	6,146,474
Commissions from 7 Days Group Holdings Limited (7 Days)			1,214,368
Purchase of tour package from Ananda Travel Service (Aust.) Pty Limited (Ananda)	29,386,855	32,989,774	32,738,333
Printing expenses to Joyu Tourism Operating Group (Joyu)	2,160,000	2,160,000	

The Company s hotel supplier, Home Inns has two directors in common with the Company. Home Inns closed the acquisition of Motel 168 International Holdings Limited (Motel 168) on September 30, 2011 and consolidated its financial results thereafter. Commissions from Home Inns presented above include the commissions from Motel 168 starting from October 1, 2011 to December 31, 2013. Another hotel supplier, Hanting, has a director in common with the Company and a director who is a family member of one of our officers. In May 2012, the Company sold 51% equity interest of Starway Hong Kong to Hanting with a total consideration of RMB17.1 million and deconsolidated Starway Hong Kong upon the closing of the deal. On November 30, 2013, Hanting further acquired 49% equity interest of Starway Hong Kong from the Company with a total consideration of RMB16.5 million. The remainder of purchase price RMB12.25 million will be paid in a 3-year installment plan. From then on, the Company directly holds no equity interest of Starway Hong Kong. Commissions from Hanting presented above include the commissions from Starway Hong Kong starting from December 1, 2013 to December 31, 2013. Home Inns and Hanting have entered into agreements with us, respectively, to provide hotel rooms for our customers. Commissions from Home Inns and Hanting for the years ended December 31, 2011, 2012 and 2013 are presented as above.

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In September 2013, the Company entered into agreements with Yishang to provide entrusted loan of RMB13 million. The entrusted loan has a one-year maturity period. The balance of entrusted loan together with the interest for the year ended December 31, 2013 is presented as above.

Starway Hong Kong entered into agreements with the Company to provide hotel rooms for our customers. Commissions from Starway Hong Kong started from the deconsolidation date to the year ended December 31, 2012 and started from January 1, 2013 to November 30, 2013 is presented as above.

On December 3, 2013, the Company acquired approximately 4% equity shares in Keystone, which in 2013 merged with 7 Days, thus became related with 7 Days. 7 Days entered into agreements with the Company to provide hotel rooms for our customers. Commission from 7 Days started from the equity transaction date to the year ended December 31 2013 is presented as above.

The Company s tour package supplier, Ananda is an associate of Wing On Travel. Tour package purchase from Ananda for the years ended December 31, 2011, 2012 and 2013 is presented as above.

The Company entered into printing agreements with TripTX Travel Media Group, one of the subsidiaries of Joyu Tourism Operating Group. Joyu Tourism Operating Group has a director in common with the Company. Total printing expense to Joyu Tourism Operating Group for the years ended December 31, 2011 and 2012 are presented as above.

As of December 31, 2012 and 2013, significant balances with related parties were as follows:

	2012 RMB	**2013 RMB**
Due from related parties, current:		
Due from Yishang		13,152,649
Due from Hanting	627,145	5,592,854
Due from Home Inns	3,797,931	3,029,166
Due from Starway Hong Kong	903,094	
	5,328,170	21,774,669
Due from related parties, non-current:		
Due from Hanting		8,166,667
Due to related parties, current:		
Due to Ananda	9,215,726	10,216,780
Due to Hanting	1,000,000	1,000,000
Due to Joyu	180,000	
	10,395,726	11,216,780

The amounts due from and due to related parties as of December 31, 2012 and 2013 primarily resulted from the transactions disclosed above and revenue received and expenses paid on behalf of each other. They are not collateralized and have normal business payment terms.

14. EMPLOYEE BENEFITS

The Group s employee benefit primarily related to the full-time employees of the PRC subsidiaries and the VIEs, including medical care, welfare subsidies, unemployment insurance and pension benefits. The full-time employees in the PRC subsidiaries and the VIEs are required to accrue for these benefits based on certain percentages of the employees salaries in accordance with the relevant PRC regulations and make contributions to the state-sponsored pension and medical plans out of the amounts accrued for medical and pension benefits. The PRC government is responsible for the medical benefits and ultimate pension liability to these employees. The total expenses recorded for such employee benefits amounted to RMB234,725,030, RMB334,150,368 and RMB440,884,906 for the years ended December 31, 2011, 2012 and 2013 respectively.

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15. TAXATION

Cayman Islands

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

Hong Kong

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

Taiwan

The Company s consolidated entities registered in the Taiwan are subject to Taiwan Enterprise Income Tax (CIT) on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Taiwan income tax laws. In the first half of the year 2010, announced by local authority, general enterprise income tax rate of Taiwan was reduced from 25% to 17%. The application tax rate for the Company s subsidiary in Taiwan is 17%, which was effective retroactively as of January 1, 2010.

China

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

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

Shenzhen Ctrip is registered in the city of Shenzhen in China, which was a special economic zone entitled to a preferential tax rate of 15% before 2008. Under the current CIT law, Shenzhen Ctrip is entitled to a transitional tax rate which is gradually increased to 25% from 2008 to 2012. The applicable CIT rates from 2008 to 2012 are 18%, 20%, 22%, 24% and 25%, respectively. Starting from 2012, Shenzhen Ctrip would be subjected to the general CIT rate of 25%.

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

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

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

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

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

Composition of income tax expense

The current and deferred portion of income tax expense included in the consolidated statements of income for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011 RMB	2012 RMB	2013 RMB
Current income tax expense	265,574,760	317,283,820	329,612,294
Deferred tax benefit	(3,388,535)	(22,757,864)	(35,871,972)
Income tax expense	262,186,225	294,525,956	293,740,322

Income tax expense was RMB294 million (US$49 million) in the year ended December 31, 2013, decrease from RMB295 million in the year ended 2012. The effective income tax rate in year ended December 31, 2013 was 26%, as compared to 31% in the year ended 2012, mainly because the Company accrued, in the second quarter of 2012, the provision of 5% PRC withholding tax related to the one-time event of dividend distribution that its PRC subsidiaries would pay to its Hong Kong subsidiary to fund a share repurchase program, whereby Ctrip may purchase its own American depositary shares (ADSs), and partially offset by the impact of certain non-tax-deductible items in its PRC subsidiaries during the year ended December 31, 2013.

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

The reconciliation between the statutory CIT rate and the Group s effective tax rate for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
Statutory CIT rate	25%	25%	25%
Tax differential from statutory rate applicable to Subsidiaries in the PRC	(10)%	(17)%	(15)%

Non-deductible expenses incurred	6%	13%	16%
Withholding tax		10%	
Others	(1)%	0%	0%
Effective CIT rate	20%	31%	26%

Significant components of deferred tax assets and liabilities:

	2012 **RMB**	**2013** **RMB**
Deferred tax assets:		
Loss carry forward	42,205,411	86,735,795
Accrued liability for customer reward related programs	32,209,006	60,078,932
Accrued staff salary	22,215,827	34,842,016
Deferred tax liabilities	(390,000)	(390,000)
Others	3,452,556	2,448,552
Less: Valuation allowance of deferred tax assets	(37,852,274)	(86,735,795)
Total deferred tax assets	61,840,526	96,979,500
Deferred tax liabilities, non-current:		
Recognition of intangible assets	(53,309,153)	(63,197,155)
Net deferred tax assets	8,531,373	33,782,345

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Movement of valuation allowances:

	2011 RMB	2012 RMB	2013 RMB
Balance at beginning of year	12,733,226	14,785,786	37,852,274
Current year additions	2,879,759	27,991,746	48,883,521
Current year disposal due to divestitures	(827,199)	(4,925,258)	
Balance at end of year	14,785,786	37,852,274	86,735,795

As of December 31, 2012 and 2013, valuation allowance of RMB37.9 million and RMB86.7 million was provided for operating loss carry forwards related to certain subsidiary based on then assessment where it is more likely than not that such deferred tax assets will not be realized. If events were to occur in the future that would allow us to realize more of our deferred tax assets than the presently recorded net amount, an adjustment would be made to the deferred tax assets that would increase income for the period when those events occurred.

As of December 31, 2013, the Group had net operating tax loss carry forwards amounted to RMB347 million which will expire from 2014 to 2017 if not used.

The provisions for income taxes for the years ended December 31, 2011, 2012 and 2013 differ from the amounts computed by applying the CIT primarily due to preferential tax rate enjoyed by certain of the Company s subsidiaries and VIEs in the PRC.

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

	2011 RMB	2012 RMB	2013 RMB
Tax holiday effect	115,750,217	119,971,884	146,321,156
Basic net income per ADS effect	0.80	0.88	1.11
Diluted net income per ADS effect	0.76	0.83	0.96

16. OTHER PAYABLES AND ACCRUALS

Components of other payables and accruals as of December 31, 2012 and 2013 were as follows:

	2012 RMB	2013 RMB
Accrued operating expenses	204,438,348	330,863,616
Electronic coupon	41,475,136	133,306,380
Accruals for property and equipment	34,450,253	37,038,698

Deposits received from suppliers and packaged-tour customers	10,161,612	33,769,690
Due to employees for stock option proceeds received on their behalf	13,242,768	28,413,780
Payable for acquisition	19,742,776	23,773,221
Interest payable	1,492,269	13,838,961
Others	18,754,719	34,100,603
Total	343,757,881	635,104,949

17. LONG-TERM DEBT

	2012 RMB	2013 RMB
2017 Convertible Senior Notes	1,121,418,000	814,222,650
2018 Convertible Senior Notes		4,842,960,000
Total	1,121,418,000	5,657,182,650

Description of 2017 Convertible Senior Notes

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

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

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

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

Purchase Call Option

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

Sold Warrants

The Company received US$26.6 million from the same counterparty from the sale of warrants to purchase up to approximately 9.3 million shares of the Company s ADS at an exercise price of US$26.37 per ADSThe warrants had an expected life of 5 years and expire on September 15, 2017. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of December 31, 2013, the warrants had not been exercised and remained outstanding.

Evaluation that transactions should be viewed as a single unit:

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

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of December 31, 2013, RMB814 million (US$134.5 million) is accounted as the value of the Notes in long-term debt.

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

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

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

Non-contingent redemption option

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

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

Conversion

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

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

Early conversion of 2017 Convertible Senior Notes

The Company offered the public tranche of the 2017 Notes holders to convert their Notes early, through an inducement. The inducement offered included the original term s ratio for ADS conversion plus a cash incentive of 1.5%-2.0%. As a result of the inducement, US$45.5 million of the Notes was tendered, or 2.35 million ADS at the initial conversion rate of 51.7116 ADS per Note. Total cash paid was $777,445, of which $19,945 represents accrued and unpaid interest and $757,500 represents an inducement premium. This conversion did not materially impact the current shares outstanding.

Early termination of Call Option

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

Description of 2018 Convertible Senior Notes

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

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

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

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

Purchase Call Option

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

Sold Warrants

The Company received US$77.2 million from the same counterparty from the sale of warrants to purchase up to approximately 10.2 million shares of the Company s ADS at an exercise price of US$96.27 per ADSThe warrants had an expected life of 5 years and expire on October 15, 2018. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of December 31, 2013, the warrants had not been exercised and remained outstanding.

Use of Proceeds

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

Evaluation that transactions should be viewed as a single unit:

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

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of December 31, 2013, RMB4.8 billion (US$800 million) is accounted as the value of the Notes in long-term debt.

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

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

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

Non-contingent redemption option

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

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

Conversion

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

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

Assessment of Beneficial Conversion Feature and Contingent Beneficial Conversion Feature:

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

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

Accounting for Debt Issuance Costs:

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

Accounting for Purchased Call Option:

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

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Accounting for Issued Warrants:

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

18. TREASURY STOCK

Accelerated share repurchase arrangement

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

Upon maturity:

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

- If the ADS trading price is below upper strike price (US$14.3621 per ADS), Ctrip receives a fixed number of 4,438,763 ADSs.

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

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

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

19. NON-CONTROLLING INTERESTS

As of December 31, 2013, the Company s majority-owned subsidiaries and VIEs which are consolidated in the consolidated financial statements but with non-controlling interests recognized mainly include Tujia.com International Co., Ltd (Tujia) and ezTravel.

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

	December 31, 2012 RMB	December 31, 2013 RMB
Tujia*	40,250,981	83,133,600
ezTravel	21,269,409	21,475,705
Others	33,727,148	95,081,123
	95,247,538	199,690,428

* In October 2012 and February 2013, a subsidiary of the Company, Tujia, entered into a series of agreements with C-Travel, a wholly owned subsidiary of the Company, and other institutional investors to issue 70,380,000 Series A redeemable convertible preferred shares (Series A preferred shares) with total consideration of US$14.6 million and 33,333,333 Series B redeemable convertible preferred shares (Series B preferred shares) with total consideration of US$36.7 million. All of the Series A Preferred Shares and the Series B Preferred Shares issued by Tujia are collectively referred to as the Preferred Shares . The Company assessed it has the right to consolidate Tujia after the issuance of Series A and B redeemable convertible preferred shares. The shares held by investors other than Ctrip are recorded as non-controlling interests.

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20. EARNINGS PER SHARE

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

	2011 RMB	2012 RMB	2013 RMB
Numerator:			
Net income attributable to Ctrip s shareholders	1,076,414,897	714,405,864	998,319,684
Eliminate the dilutive effect of interest expense of convertible bond		4,617,398	15,496,021
Numerator for diluted earnings per share	1,076,414,897	719,023,262	1,013,815,705
Denominator:			
Denominator for basic earnings per ordinary share - weighted average ordinary shares outstanding	35,977,063	34,236,761	32,905,601
Dilutive effect of share options	2,053,911	1,230,941	2,359,614
Dilutive effect of convertible bond		623,083	2,206,157
Dilutive effect of convertible bond sold warrants			598,469
Denominator for diluted earnings per ordinary share	38,030,974	36,090,785	38,069,841
Basic earnings per ordinary share	29.92	20.87	30.34
Diluted earnings per ordinary share	28.30	19.92	26.63
Basic earnings per ADS	7.48	5.22	7.58
Diluted earnings per ADS	7.08	4.98	6.66

The 2018 convertible senior notes were not included in the computation of diluted EPS in 2013 because the inclusion of such instrument would be anti-dilutive.

For the years ended December 31, 2011, 2012 and 2013, the Company had securities which could potentially dilute basic earnings per share in the future, which were excluded from the computation of diluted earnings per share as their effects would have been anti-dilutive. Such weighted average numbers of ordinary shares outstanding are as following:

	2011 RMB	2012 RMB	2013 RMB
Outstanding weighted average stock options	715,894	1,779,507	251,266
Sold Warrants		299,319	870,425
	715,894	2,078,826	1,121,691

21. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has entered into leasing arrangements relating to office premises that are classified as operating leases for the periods from 2014 to 2018. Future minimum lease payments for non-cancelable operating leases are as follows:

	Office Premises RMB
2014	49,445,429
2015	35,829,711
2016	15,077,517
2017	5,155,184
2018	2,395,381
Thereafter	610,087
	108,513,309

Rental expense amounted to RMB66,208,557, RMB94,213,513 and RMB118,261,449 for the years ended December 31, 2011, 2012 and 2013, respectively. Rental expense is charged to the statements of income and comprehensive income when incurred.

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Capital commitments

As of December 31, 2013, the Company had outstanding capital commitments totaling RMB376 million, which consisted of capital expenditures of property, equipment and software.

Guarantee

In connection with our air ticketing business, the Group is required by the Civil Aviation Administration of China, International Air Transport Association, and local airline companies to pay deposits in order to or to provide other guarantees obtain blank air tickets. As of December 31, 2013, the amount under these guarantee arrangements was approximately RMB877 million.

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

Contingencies

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

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

22. SUBSEQUENT EVENTS

In January 2014, the Company offered an entrusted loan to one of its related parties, China Lodging Group, Limited, of RMB300 million with maturity of one year, for daily operational purposes.

In December 2013, the Company entered into agreements to acquire controlling equity stake of Toursforfun, an online supplier specialized in tours and vacation packages for Chinese traveling abroad with a total consideration of US$23.09 million. As of December 31, 2013, the Company has made a prepayment of US$1 million and recorded it as Prepayments and other current assets. The acquisition was closed in January 2014.