

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2007

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from            to            .

Commission file number: 000-50483

**CTRIP.COM INTERNATIONAL, LTD.**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

99 Fu Quan Road

Shanghai 200335

People's Republic of China

(Address of principal executive offices)

Min Fan

86-21-3406-4880

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  
American Depositary Shares, each representing  
0.5 ordinary shares, par value US\$0.01 per ordinary share

Name of each exchange on which registered  
THE NASDAQ Stock Market LLC

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: 33,193,693 ordinary shares, par value US\$0.01 per ordinary share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this annual report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

Indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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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, and “preferred shares” refers to our convertible preferred shares, all of which were converted into our ordinary shares upon the completion of our initial public offering on December 12, 2003;

(3) “ADSs” refers to our American depositary shares, each of which represents 0.5 ordinary shares;

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

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

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

This annual report on Form 20-F includes our audited consolidated income statements and consolidated statements of cash flows for the years ended December 31, 2005, 2006 and 2007, and consolidated balance sheets as of December 31, 2006 and 2007.

On April 11, 2006, we effected a change of the ratio of our ADSs to ordinary shares from one (1) ADS representing two (2) ordinary shares to one (1) ADS representing one (1) ordinary share. On July 31, 2007, we effected a change of the ratio of our ADSs to ordinary shares from one (1) ADS representing one (1) ordinary share to one (1) ADS representing one-half (0.5) of an ordinary share. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the changes in ratio for all periods presented.

## FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “may,” “will,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate,” “is/are likely to” or other and 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 of and change in the travel and online commerce industries in China.

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

- a slow-down of economic growth or an economic downturn in China or globally may adversely affect our growth and profitability;
- inflation in China may disrupt our business and have an adverse effect on our financial condition and results of operations;
- declines or disruptions in the travel industry generally could reduce our revenue;
- 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 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 profitability may be adversely affected;
- our quarterly results are likely to fluctuate because of seasonality in the travel industry in China;
- our business may be harmed if our infrastructure and technology are damaged or otherwise fail or become obsolete;
- our business may be severely disrupted if we lose the services of our key executives; 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.

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

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

**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****A. Selected Financial Data**

The following table presents the selected consolidated financial information for our business. You should read the following information in conjunction with Item 5, "Operating and Financial Review and Prospects," below. The selected consolidated statement of operations data for the years ended December 31, 2005, 2006 and 2007 and the selected consolidated balance sheet data as of December 31, 2006 and 2007 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, 2003 and 2004 and the selected consolidated balance sheet data as of December 31, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements for these periods, which are not included in this annual report.

Certain prior year amounts have been reclassified with no effect on net income or retained earnings to conform to the 2007 financial statement presentation. Additionally, all ADS data have been retroactively adjusted to reflect the current ADS to ordinary share ratio for all periods presented.

	For the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007
	RMB	RMB	RMB	RMB	RMB	US\$ <sup>(2)</sup>
	(in thousands, except for per ordinary share data)					
<b>Consolidated Statement of Operation Data</b>						
Net revenues	173,147	335,042	524,183	779,952	1,199,111	164,383
Cost of revenues	(26,223)	(51,637)	(88,627)	(153,132)	(236,226)	(32,383)
Gross profit	146,924	283,405	435,556	626,820	962,885	132,000
Operating expenses						
Product development <sup>(1)</sup>	(21,095)	(38,510)	(57,913)	(105,938)	(177,302)	(24,306)
Sales and marketing <sup>(1)</sup>	(47,707)	(73,051)	(112,532)	(172,492)	(243,314)	(33,356)
General and administrative <sup>(1)</sup>	(20,615)	(38,114)	(42,651)	(93,174)	(137,944)	(18,910)
Total operating expenses	(89,417)	(149,675)	(213,096)	(371,604)	(558,560)	(76,572)
Income from operations	57,507	133,730	222,460	255,216	404,325	55,428
Net interest income and other income	6,062	11,952	32,632	26,846	52,001	7,129
Income before income tax expense, minority interests and share of income of joint venture companies	63,569	145,682	255,092	282,062	456,326	62,557
Income tax expense	(10,249)	(12,517)	(30,577)	(41,277)	(58,006)	(7,952)
Minority interests	(79)	(39)	(269)	(221)	4	—
Share of income of joint venture companies	573	—	—	—	—	—
Net income	53,814	133,126	224,246	240,564	398,324	54,605

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	For the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007
	RMB	RMB	RMB	RMB	RMB	US\$( <sup>2</sup> )
(in thousands, except for per ordinary share data)						
<b>Earnings Per Ordinary Share Data:</b>						
Accretion for Series B preferred shares	(12,366)	—	—	—	—	—
Deemed dividends to holders of Series A and Series B preferred shares for spin-off of joint venture companies <sup>(3)</sup>	(2,829)	—	—	—	—	—
Deemed dividends upon repurchase of preferred shares	(35,336)	—	—	—	—	—
Amount allocated to participating preference shareholders	(1,910)	—	—	—	—	—
Net income attributable to ordinary shareholders	1,373	133,126	224,246	240,564	398,324	54,605
Earnings per ordinary share <sup>(4)</sup> , basic	0.13	4.33	7.06	7.44	12.10	1.66
Earnings per ordinary share <sup>(4)</sup> , diluted	0.11	4.23	6.91	7.23	11.67	1.60
Cash dividends per ordinary share paid <sup>(5)</sup>	—	—	1.26	2.04	2.11	0.277

	As of December 31,					
	2003	2004	2005	2006	2007	2007
	RMB	RMB	RMB	RMB	RMB	US\$( <sup>2</sup> )
(in thousands)						
<b>Consolidated Balance Sheet Data:</b>						
Cash and cash equivalents	471,969	615,875	735,062	844,393	1,064,418	145,919
Short-term investment	—	—	—	—	141,174	19,353
Accounts receivable, net	28,940	35,418	63,392	136,688	260,684	35,737
Other current assets	8,283	19,573	52,861	72,387	81,365	11,154
Non-current assets	48,013	69,852	184,586	398,385	577,303	79,141
Total assets	557,205	740,718	1,035,901	1,451,853	2,124,944	291,304
Current liabilities	63,917	138,744	270,314	421,045	672,041	92,128
Other long-term payables	—	—	—	2,438	1,625	223
Minority interests	564	603	871	673	1,159	159
Total shareholders' equity	492,724	601,371	764,716	1,027,697	1,450,119	198,794

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

	For the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007
	RMB	RMB	RMB	RMB	RMB	US\$( <sup>2</sup> )
(in thousands)						
Product development	411	550	403	13,694	22,708	3,113
Sales and marketing	136	188	258	8,558	13,649	1,871
General and administrative	1,036	1,220	1,116	32,430	50,557	6,931

(2) Translation from RMB amounts into U.S. dollars was made at a rate of RMB7.2946 to US\$1.00. See "Exchange Rate Information."

(3) On August 27, 2003, we resolved to distribute all of our equity interest in Home Inns & Hotels Management (Hong Kong) Limited to the then existing holders of our ordinary shares and Series A and Series B preferred shares on a pro rata as-converted basis based on the carrying value of the equity interest in the amounts of RMB2 million, RMB1 million and RMB2 million, respectively.

(4) Each ADS represents 0.5 ordinary shares.

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- (5) On July 8, 2005, we distributed dividends in the aggregate amount of RMB40 million to our shareholders of record as of June 30, 2005, at a dividend rate of RMB1.26, or US\$0.1525, per ordinary share. On July 14, 2006, we distributed dividends in the aggregate amount of RMB67 million to our shareholders of record as of June 30, 2006, at a dividend rate of RMB2.04, or US\$0.255, per ordinary share. On July 6, 2007, we distributed dividends in the aggregate amount of RMB72 million to our shareholders of record as of June 29, 2007, at a dividend rate of RMB2.11, or US\$0.277, per ordinary share.

### Exchange Rate Information

We have published our 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 noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. For your convenience, this annual report contains translations of some RMB or U.S. dollar amounts for 2007 at US\$1.00 : RMB7.2946, which was the noon buying rate in effect as of December 31, 2007. The prevailing rate at April 28, 2008 was US\$1.00 : RMB7.0020. 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 and through restrictions on foreign trade.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. 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 Bank of New York.

Period	Noon Buying Rate			
	Period End	Average <sup>(1)</sup>	Low	High
(RMB per US\$1.00)				
2003	8.2767	8.2772	8.2800	8.2765
2004	8.2765	8.2768	8.2771	8.2765
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
October	7.4682	7.5016	7.5158	7.4682
November	7.3850	7.4212	7.4582	7.3800
December	7.2946	7.3682	7.4120	7.2946
2008				
January	7.1818	7.2405	7.2946	7.1818
February	7.1115	7.1644	7.1973	7.1100
March	7.0120	7.0722	7.1110	7.0105
April (through April 28)	7.0020	7.0011	7.0185	6.9840

- (1) Annual averages are calculated from month-end rates. 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**

*A slow-down of economic growth or an economic downturn in China or globally may adversely affect our growth and profitability.*

Our business and operations are primarily based in China and almost all 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 growth in the economy and travel industry in China. Although the economy in China has grown significantly in the past decades, we cannot assure you that growth will continue or that any slow-down will not have a negative effect on our business. Any slow-down of economic growth in China could reduce expenditures for travel, which in turn may adversely affect our operating results and financial condition.

Our business is also materially affected by global economic conditions. National economies are becoming increasingly interdependent. For example, the economic growth of China or other nations may be adversely impacted by various factors and events taking place in other countries, such as the sub-prime mortgage crisis in the United States which began having worldwide effects during 2007. Our business would be adversely affected by a reduction in business and consumer spending on travel during an economic growth slow-down or economic downturn.

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

Since the end of 2007, the inflation rate in China has been increasing. We cannot assure you that Chinese inflation will not increase significantly in the future. The scope and the extent of inflation could adversely affect the Chinese economy and both business and personal travel behavior. If inflation leads to a reduction in business and leisure travel, our business, financial condition and operation results would be adversely impacted. Furthermore, we cannot assure you that, under competitive pressure, we will be able to realize price increases, which could adversely impact our business, financial condition and results of operations.

*Declines or disruptions in the travel industry generally could reduce our revenue.*

A large part of our business is currently driven by the trends that occur in the travel industry in China, including the hotel, airline 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. In addition, other adverse trends or events that tend to reduce travel and are likely to reduce our revenues include:

- an outbreak of avian influenza, severe acute respiratory syndrome, or SARS, or any other serious contagious diseases;
- increased prices in the hotel, airline, or other travel-related industries;
- increased occurrence of travel-related accidents;
- natural disasters or poor weather conditions; and
- terrorist attacks or threats of terrorist attacks or wars.

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.

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*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. During the year of 2007, the trading prices of our ADSs on the Nasdaq ranged from US\$27.53 to US\$63.24 per ADS and the closing sale price on April 28, 2008 was US\$61.23 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;
- announcements of new services by us or our competitors;
- changes in financial estimates by securities analysts;
- conditions in the Internet, online commerce or travel industries;
- changes in the economic performance or market valuations of other Internet, online commerce or travel companies;
- changes in the economic performance or market valuations of other companies that focus on the China market;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel; and
- potential litigation.

In particular, since late 2007, the trading prices of shares and ADSs listed on major U.S. stock exchanges have experienced wide fluctuations, due in part to the sub-prime mortgage crisis in the United States. The trading price of our ADSs has also been subject to large fluctuation during the period.

In addition, the market prices for Internet-related companies and companies with operation in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our ADSs, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted share-based awards.

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

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

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

Part of the revenues that we derived 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 that are effective for our business. Our inability in this regard could have a material adverse effect on our market penetration, our revenue growth and our profitability. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by a counterparty, and increase of the expenses to establish new strategic alliances, which may materially and adversely affect our business.

*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.*

We believe that establishing, maintaining and enhancing the Ctrip brand is a critical aspect of our efforts 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 promotion of our brand will depend largely on our success in maintaining a sizeable and active customer base, providing high-quality customer service and organizing effective marketing and advertising programs. If our current customer base significantly declines, or the quality of our customer services substantially deteriorates, or if we fail to cost-effectively promote and maintain our brand, our business, operating results and financial condition would be materially and adversely affected.

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

In the future, we may also face competition from new players in the hotel consolidation market in China and abroad that may enter China in the future. 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, as more international travelers visit China, international travelers may become an increasingly important customer base. Competitors that have strategic alliances with consolidators abroad may have more effective channels to direct on-line booking to their websites for travel needs in China. In addition, like all other consolidators, we do not have exclusive arrangements with our travel suppliers. The combination of these two factors means potential entrants to our industry face relatively low entry barriers.

Increased competition could reduce our operating margins and profitability and result in loss of market share. 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 will be materially and adversely affected.

*Our quarterly results are likely to fluctuate because of seasonality in the travel industry in 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 revenues may fluctuate from quarter to quarter.

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

Our customer service center and substantially all of our computer and communications systems are located at a single facility in Shanghai and are therefore 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 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, or to 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 will have a material and adverse effect on our results of operations and financial condition.

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

Our future success depends heavily upon the continued services of our key executives. We rely on their expertise in business operations, finance and travel services and on their relationships with our shareholders, suppliers and regulators. 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. Therefore, our business may be severely disrupted and we may incur additional expenses to recruit and train personnel, 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 "—The principal shareholders of our affiliated Chinese entities have potential conflicts of interest with us, which may adversely affect our business" and "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

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

If our business continues to expand, we will need to hire additional employees, including travel supplier management personnel to maintain and expand our travel supplier network, information technology and engineering personnel to maintain and expand our websites, customer service center and systems, and customer service representatives to serve an increasing number of customers. If we are unable to identify, attract, hire, train and retain sufficient employees in these areas, users of our websites and customer service center may have negative experiences and turn to our competitors, which could adversely affect our business and results of operations.

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*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 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. Under the equity pledge agreement, the shareholders pledged their respective equity interests in the Chinese affiliated entities to our subsidiaries. Such pledge was duly created by recording the pledge on the relevant Chinese affiliated entities' register of shareholders in accordance with the PRC Collateral Law, and is currently effective. However, according to the PRC Property Rights Law which came into effect on October 1, 2007, the effectiveness of such pledge will be denied if the pledge is not registered with the relevant administration for industry and commerce. Our subsidiaries applied for such registration, but the application is pending as no registration procedures are available. Our subsidiaries will continue to make efforts to register such pledge when the administration for industry and commerce implements registration procedures in accordance with PRC Property Rights Law in the future. Since our subsidiaries were unable to register the pledge prior to October 1, 2007, we cannot assure you about the effectiveness of the pledge.

In the opinion of our PRC counsel, Commerce & Finance Law Offices, our current ownership structure, the ownership structure of our wholly-owned subsidiaries and our affiliated Chinese entities, the contractual arrangements among us, our wholly-owned subsidiaries, our affiliated Chinese entities and their shareholders, and our business operations, 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.

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.

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.

*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. Although we have been advised by our PRC counsel, Commerce & Finance Law Offices, that these contractual arrangements 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. In any such event, we would have to rely on the PRC legal system for the enforcement of those agreements, which could be uncertain. 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.”

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

Our directors, Qi Ji and Min Fan, and our officers, Jianmin Zhu and Gangyi Yan, and a family member of a senior officer, Fengying Zhang were also the principal shareholders of our consolidated affiliated Chinese entities as of December 31, 2007. 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 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 be uncertain. 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 on an arm’s length basis and therefore constitute a favorable transfer pricing. As a result, 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. On March 16, 2007, the National People’s Congress in China adopted the Unified Enterprise Income Tax Law, or the new tax law, which became effective on January 1, 2008. This new tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arms’ length principles. As a result, our contractual arrangements with our affiliated Chinese entities may result in adverse tax consequences to us.

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

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our subsidiaries in China and consulting and other fees paid to us by our affiliated Chinese entities. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our subsidiaries in China are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Further, 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.

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Dividend payments derived from income earned prior to January 1, 2008 to foreign investors made by foreign-invested enterprises, or FIEs, were exempt from PRC withholding tax under PRC tax law. Pursuant to the New Enterprise Income Tax Law, or new EIT 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 FIE to its immediate holding company outside China would be subject to a 10% withholding taxes unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Our subsidiaries in China are considered FIEs and are directly held by our subsidiary in Hong Kong. According to Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between the Mainland and Hong Kong Special Administrative Region in August 2006, dividends payable by an FIE in China to the company in Hong Kong who directly holds at least 25% of the equity interests in the FIE will be subject to a no more than 5% withholding tax. On April 4, 2007, the State Administration of Taxation issued a Circular on Interpretation and Implementation of Relevant Terms of Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income. Since the preferential withholding tax is subject to the approval from competent taxation authorities in PRC, it remains uncertain whether our subsidiary in Hong Kong actually would be able to enjoy preferential withholding taxes for dividends distributed by our subsidiaries in China.

Under the new 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 broad definition. If the PRC tax authorities determine that we should be classified as a resident enterprise, then our worldwide 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 new 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 new 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 sourced from within the PRC. It remains unclear whether the dividends payable by a Chinese entity or the gains our foreign ADS holders may realize will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our ADSs.

*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, 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, regulates pricing of air tickets as well as commissions payable to air-ticketing agencies. If restrictive policies are adopted by CAAC or any of its regional branches, our air-ticketing revenues may be adversely affected.

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*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. The trademark and confidentiality protection in China may not be as effective 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.”

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

Our business has grown rapidly during the last several years. We have rapidly 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.

*Future acquisitions may have an adverse effect on our ability to manage our business.*

Selective acquisitions form part of our strategy to further expand our business. If we are presented with appropriate opportunities, we may acquire additional complementary companies, products or technologies. Future acquisitions and the subsequent integration of new companies into ours would require significant attention from our management. The diversion of our management’s attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business. Future acquisitions would expose us to potential risks, including risks associated with the assimilation of new operations, technologies and personnel, unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, inability to complete acquisitions, inability to realize anticipated benefits, failure to commercialize purchased technologies, inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, relationships with employees, customers and suppliers as a result of integration of new businesses.

*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, confirmations and deliveries in some cities in China. Any interruption in our ability to obtain the products or services of these or other third parties or deterioration in their performance could impair the timing and quality of our own service. If our service providers fail to deliver air tickets in a timely manner to our customers, our services will not meet the expectations of our customers and our reputation and brand will be damaged. Furthermore, if our arrangements with any of these third parties are terminated, we may not find an alternate source of support on a timely basis or on terms as advantageous to us.



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*If our hotel suppliers or customers provide us with untrue information regarding our customers' stay, our commission income and revenues may decrease.*

A substantial portion of our revenues is 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 give us truthful information regarding the customer's check-in and check-out dates, which information 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 recognize revenue 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.

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

Pursuant to applicable tax laws in China, companies established in China are generally subject to an enterprise income tax, or EIT, at a statutory rate of 33% for the years prior to and including 2007. Our subsidiary, Ctrip Computer Technology, was entitled to a 15% EIT rate for 2007 because it has been classified as a "new and high-technology enterprise." Our subsidiary, Ctrip Travel Information, was entitled to a 7.5% EIT rate due to its registration in the Pudong Economic Development Zone, which rate is further reduced by 50% for each of the years from 2005 to 2007 because it has been classified as a "software enterprise." In addition, our subsidiary, Ctrip Travel Network, was entitled to a 16.5% EIT rate in 2007 as it has been classified as a "software enterprise." The new EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. There will be a five-year transition period for certain enterprises, whether foreign-invested or domestic, during which they are allowed to continue to enjoy their existing preferential tax treatments provided by the then applicable tax laws and administrative regulations. Preferential tax treatments will continue to be granted to enterprises which conduct businesses in certain encouraged sectors and to enterprises otherwise classified as "new and high technology enterprise strongly supported by the state." The new EIT Law also provides, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC territory are considered as "resident enterprises" and will normally be subject to the EIT at the rate of 25% on its global income. The new EIT Law does not define the term "de facto management bodies." The effective tax rate that applies to us in 2008 depends on many factors, including, but not limited to, whether certain consolidated affiliated entities and subsidiaries can qualify as high and new technology enterprises under the new EIT Law.

*We may be subject to additional business tax for our hotel reservation services.*

Some of our hotel reservation services customers prepay for their expected hotel stays. They pay us the entire amount of hotel charges before checking in. As a result, we issue them invoices representing the entire amount of their expected hotel charges. Although we recognize as revenue only our hotel commissions, we cannot assure that, in these cases, the PRC tax authorities will not deem the entire invoiced amount as our revenue and impose business tax on such amount. Payment of business tax on the full amounts represented by these invoices may have a material and adverse effect on our financial condition and results of operations.

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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 will be largely based on anticipated organizational growth and revenue trends. As a result, any decrease or delay in generating additional sales volume and revenue could result in substantial operating losses.

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

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

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

We conduct a portion of our transactions through our websites. In such transactions, secured transmission of confidential information (such as customers' itineraries, hotel and other reservation information, credit card information, personal information and billing addresses) over public networks is essential to maintain consumer and supplier confidence. Our current security measures may not be adequate. Security breaches could expose us to litigation and possible liability for failing to secure confidential customer or supplier information and could harm our reputation and ability to attract customers.

*The recurrence of SARS and other similar outbreaks such as avian flu 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. 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. Our business and operating results were adversely affected in both cases.

A recurrence of an outbreak of SARS or other contagious diseases or extreme unexpected bad weather 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 outbreak of any contagious disease or occurrence of natural disasters could have a material and adverse effect on our business and operating results.

*We have limited business insurance coverage in China.*

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. As a result, we do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources and have a material and adverse effect on our business and operating results.

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

As we have recently begun to provide travel booking services to corporate customers which generally request credit terms, we expect our accounts receivable to increase. 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-payments in our accounts receivable and, when 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.

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

Beginning in 2006, we commenced to account for share-based compensation in accordance with FASB Statement No. 123R, Share-Based Payment, or FAS No. 123R, 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. Prior to 2006, we recorded share-based compensation to the extent that the fair value of the shares on the date of grant exceeded the exercise price of the option. In 2007, share-based compensation expense reduced our diluted earnings per ADS by approximately US\$0.17. The adoption of SFAS No.123R may continue to have a significant impact on our net income. In addition, future changes to various assumptions used to determine the fair-value of awards issued or the amount and type of equity awards granted may also create uncertainty as to the amount of future share-based compensation expense.

*Failure to maintain effective internal control over financial reporting could have a material and adverse effect on the trading price of our ADSs.*

We are subject to the reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring public companies to include a report of management on the effectiveness of such companies' internal control over financial reporting in its annual report. In addition, an independent registered public accounting firm for a public company must issue an attestation report on the effectiveness of the company's internal control over financial reporting. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of December 31, 2007. 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, 2007. 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 and cash flow from operations 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.

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

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

Substantially all of our business operations are conducted in 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 20 years, 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. Since early 2004, the PRC government has implemented certain measures to control the pace of economic growth. In addition, since late 2007, measures to restrain inflation have also been implemented. Such measures 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.

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

The value of RMB 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 RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in a greater fluctuation range between Renminbi and the U.S. dollar.

From July 21, 2005 to April 28, 2008, the Renminbi cumulatively appreciated approximately 15.4% over the U.S. dollar. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar.

Our revenues and costs are mostly denominated in RMB, 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 RMB or 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 RMB 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 RMB for such purposes. An appreciation of RMB 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 RMB, as RMB is our reporting currency.

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

Because substantially all of our revenues are in the form of 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. The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (1996), as amended. Under the Rules, 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 of Foreign Exchange of the People's Republic of China is obtained. Although the PRC government regulations now allow greater convertibility of RMB 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 the State Administration of Foreign Exchange, or 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 RMB, especially with respect to foreign exchange transactions.

*Recent PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiary, limit our subsidiary's 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 the PRC, referred to in the notice as a "special purpose company." PRC residents that are shareholders of special purpose companies established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. On May 29, 2007, SAFE further promulgated the guideline for Notice 75, or Guideline 106, which clarifies certain implementation questions of Notice 75. According to Notice 75 and Guideline 106, 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, 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 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 beneficial owners 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 beneficial owners of our company resident in the PRC to comply with the registration procedures set forth therein may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute profits to our company or otherwise adversely affect our business.

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

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

*The Internet market has not been proven as an effective commercial medium in China.*

The market for Internet products and services in China has only recently begun to develop. The Internet penetration rate in China is lower than those in the United States and other developed countries. Since the Internet is an unproven medium for commerce in China, our future operating results from online services will depend substantially upon the increased use and acceptance of the Internet for distribution of products and services and facilitation of commerce in China.

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

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

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

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

We conduct our business primarily through our wholly-owned subsidiaries incorporated in China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises. In addition, we depend on several affiliated Chinese entities in China to honor their service agreements with us. Almost all of these agreements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system is still evolving, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit remedies available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

*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 arrangements with our affiliated Chinese entities are valid under current PRC law and regulations, we cannot assure you that we will not be required to restructure our organization 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.

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

If the PRC tax authorities were to determine that the contractual arrangements between Ctrip Computer Technology, Ctrip Travel Network and our affiliated Chinese entities were not made on an arm's length basis and constituted a favorable transfer pricing, they could request that our affiliated Chinese entities make an upward adjustment to their respective taxable income for PRC income tax purposes, pay penalties for past underpayment of taxes, or terminate Ctrip Computer Technology's preferential tax treatment. Any of these measures may result in adverse tax consequences to us and adversely affect our results of operations.

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

Although private sector Internet service providers currently exist in China, almost all access to the Internet is maintained through state-owned telecommunication operations under the administrative control and regulatory supervision of China's Ministry of Information Industry. 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, China Telecom and China Netcom to provide data communications capacity primarily through local telecommunications lines. Although the government has announced plans to aggressively develop the national information infrastructure, we cannot assure you that this infrastructure will be developed. In addition, we will have no access to alternative networks and services, on a timely basis if at all, in the event of any infrastructure disruption or failure. The Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

### **Risks Related to the Shares and ADSs**

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

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

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

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2007 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 the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. 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. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States. As a result, we may not be able to protect our interests if we are harmed in a manner that would otherwise enable us to sue in a United States federal court.

*Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, will be limited because we are incorporated in the Cayman Islands, because we conduct a substantial portion 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 a substantial portion 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 or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

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

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

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

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

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

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

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

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

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



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*The sale, deposit, cancellation and transfer of the ADSs issued after exercise of rights may be restricted.*

If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to you. However, the depositary may allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them. In addition, U.S. securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after exercise of rights. 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 or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. We can give no assurance that we can establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, you may be unable to participate in our rights offerings and may experience dilution of your holdings as a result.

*Provisions of our stockholder rights plan could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our shareholders, and could make it more difficult for shareholders to change management.*

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

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

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

We commenced our business in June 1999. In March 2000, we established a new holding company, Ctrip.com International, Ltd., in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law, and soon thereafter, all of the shareholders of Ctrip.com (Hong Kong) Limited transferred their shares to the holding company in exchange for shares of the holding company and Ctrip.com (Hong Kong) Limited became our wholly-owned subsidiary.

Since our inception, we have conducted substantially all of our operations in China. As of December 31, 2007, we operated as a foreign investment enterprise in China through the following wholly-owned subsidiaries:

- Ctrip Computer Technology (Shanghai) Co., Ltd., or Ctrip Computer Technology;
- Ctrip Travel Information Technology (Shanghai) Co., Ltd., or Ctrip Travel Information;
- Ctrip Travel Network Technology (Shanghai) Co., Ltd., or Ctrip Travel Network; and
- Ctrip Information Technology (Nantong) Co., Ltd., or Ctrip Information Technology.

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

- Beijing Ctrip International Travel Agency Co., Ltd., or Beijing Ctrip, which holds domestic and cross-border travel agency license and air transport sales agency licenses;
- Shanghai Ctrip Commerce Co., Ltd., or Ctrip Commerce, which holds value-added telecommunications business license;
- Guangzhou Ctrip International Travel Agency Co., Ltd., or Guangzhou Ctrip, which holds domestic and inbound travel agency and air transport sales agency licenses;

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- Shanghai Huacheng Southwest Travel Agency Co., Ltd., or Shanghai Huacheng, which holds domestic travel agency and air transport sales agency license;
- Shanghai Ctrip Charming International Travel Agency Co., Ltd., or Shanghai Ctrip Charming, which holds domestic and cross-border travel agency licenses and air transport sales agency license;
- Shenzhen Ctrip Travel Agency Co., Ltd., or Shenzhen Ctrip, which holds an air transport sales agency license and domestic travel agency license; and
- Nantong Tongcheng Information Technology Co., Ltd., or Nantong Tongcheng, which holds value-added telecommunications business license.

We formed Home Inns & Hotels Management (Hong Kong) Limited, or Home Inns, in 2001 to expand our business to include the hotel management service. Through a series of subsequent transactions, we reduced our interest in Home Inns to 31.16%. We spun off our remaining interest in Home Inns in August 2003 to focus on our core business of travel consolidation.

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 tickets reservation services. In April 2007, we formed a new wholly-owned subsidiary, Ctrip Information Technology in the PRC, in connection with setting up our second toll-free customer service center in anticipation of future business expansion.

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.

### *B. Business Overview*

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

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

We target our services primarily at business and leisure travelers in China who do not travel in groups. These types of travelers, who are referred to in the travel industry as FITs (free individual 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 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 hotel room nights booked. In 2007, we sold approximately 9.6 million hotel room nights. As of December 31, 2007, we had secured room supply relationships with approximately 6,000 hotels in China and approximately 16,000 hotels abroad, which cover a broad range of hotels in terms of price and geographical location. As of December 31, 2007, we had guaranteed room allotments, which allow us to sell hotel rooms to our customers even during peak seasons and provide instant confirmation, with approximately 55% of the hotels in China with whom we have a supply relationship. Guaranteed room allotments accounted for approximately 80% of our hotel transactions for the year ended December 31, 2007. The quality and depth of our hotel supplier network enable us to offer our customers a wide selection of hotel accommodations. We believe our ability to offer reservations at highly rated hotels is particularly appealing to our customers. Revenues from our bookings for three-, four- and five-star hotels comprised approximately 85% of our revenues from our hotel reservation business in 2007.

We believe that we are the largest consolidator of airline tickets in China in terms of the total number of airline tickets booked and sold. In 2007, we sold approximately 10.7 million airline tickets. Our airline ticket suppliers include all major Chinese airlines and many international airlines that operate flights originating from China. We are among the few airline ticket consolidators in China that maintain a centralized reservation system and ticket fulfillment infrastructure covering substantially all of the economically prosperous regions of China. Our customers can make flight reservations on their chosen routes and arrange ticket payment and delivery through our ticketing offices and third-party agencies located in over 55 major cities in China.

We also offer independent leisure travelers bundled package-tour products, which include transportation and accommodations, as well as guided tours in some instance. Our package-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 toll-free, 24-hour customer service center and bilingual websites. In 2007, transactions effected through our customer service center accounted for approximately 70% of our transaction volume, while our websites accounted for the balance.

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

### Products and Services

We began offering hotel reservation and air-ticketing services in October 1999. In 2007, we derived 53% of our revenues from the hotel reservation business and 39% of our revenues from the air-ticketing business. In addition, we offer other products and services including packaged-tours, mostly bundled by us, that cover hotel, air tickets and transportation.

*Hotel Reservations.* Our hotel booking volume has increased substantially since our inception. The following table shows the total room nights we sold for the periods indicated.

	For Quarters Ended							
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
Room Nights	1,380	1,700	1,820	1,940	1,920	2,410	2,520	2,750

We act as 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, and 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.

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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 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, 2007, we had contracted with approximately 6,000 hotels in China, of which approximately 3,400 hotels have guaranteed room allotments, allowing us to sell rooms to our customers even during peak seasons and provide instant confirmation. Rooms booked in hotels with which we have a guaranteed allotment arrangement currently account for a majority of our total hotel room transaction volume. With the remaining hotel suppliers, we book rooms on an “on-request” basis, meaning our ability to secure hotel rooms for our customers is subject to room availability at the time of booking. Our business development team continues to try to increase guarantee room allotment arrangements with our travel suppliers.

*Air-ticketing.* We believe that we are the largest consolidator of air tickets in China in terms of the number of air tickets booked and sold. We have experienced a significant growth in our air-ticketing business in recent years. The following chart shows the air tickets we sold for the periods indicated.

	For Quarters Ended							
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
Number of air tickets sold	1,280	1,490	1,720	1,900	2,220	2,550	2,910	3,010

We sell air tickets for all major domestic Chinese airlines, including Air China, China Eastern Airlines, China Southern Airlines and Shanghai Airlines and many international airlines operating flights that originate from cities in China, such as United Airlines, Northwest Airlines, Air Canada, DragonAir and Lufthansa.

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

*Packaged-tour.* We also offer independent leisure travelers bundled package-tour products, which include transportation and accommodations, as well as guided tours in some instance. Our package-tour products cover a variety of domestic and international destinations.

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*Other Products and Services.* We offer travel-related businesses and other third parties the opportunity to advertise on our websites. We sell travel guidebooks, which provide useful information for independent travelers. We sell VIP membership cards that allow cardholders to enjoy certain priority in obtaining our services and receive discounts from many restaurants, clubs and bars in many cities in China. We also offer these membership cards free of charge to some of our customers who have purchased a certain amount of travel services from us. Other products and services accounted for a small portion of our total revenue in 2007.

### **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 toll-free customer service center or our bilingual websites located at [www.ctrip.com](http://www.ctrip.com) and [english.ctrip.com](http://english.ctrip.com). In 2007, transactions executed through our customer service center and websites account for approximately 70% and 30%, respectively, of our total transactions.

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

As of December 31, 2007, we employed approximately 3,700 customer service representatives, all of whom participated in a formal training program before commencing work. Unlike some companies in the United States that outsource their customer service to third-party call centers, our customer service representatives are in-house travel specialists.

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

*Internet Websites.* We have a Chinese-language website located at [www.ctrip.com](http://www.ctrip.com) and an English-language website located at [english.ctrip.com](http://english.ctrip.com). Our proprietary booking software is integrated with our websites, allowing a customer to complete a booking within minutes. In addition, our customers can use our editorial content for researching destinations and travel tips.

### **Marketing and Brand Awareness**

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

*On-Site Promotions.* We have on-site promotion staff in more than 45 major cities in China. Our staff distributes membership cards and introductory brochures at various locations including airports and train and bus stations. To date, our on-site promotions have proven to be an effective marketing channel for us.

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

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Our airline partners recommend our products and services to their mileage program members, and allow their members to accumulate miles by staying at hotels booked through us. Our telecommunications service provider partners direct their subscribers requesting travel information to our customer service center through automatic call forwarding, or to our websites through an Internet link on their websites. In addition, our bank partners recommend our products and services to their debit or credit card holders, and we allow their debit or credit card holders to use their cards to settle their payments for travel products purchased from us. In September 2004, we and China Merchants Bank jointly launched a dual-currency travel credit card through which holders of the credit card may book hotels, air tickets and packaged-tour products with us, and settle the payments in either RMB or U.S. dollars. The credit card holder is also entitled to certain VIP membership privileges with us. Total number of holders of this dual-currency travel credit card exceeded 1.9 million as of February 29, 2008. This credit card is one of the leading joint-launching credit cards in terms of number of holders in China and was honored as the “Most Popular Credit Card in 2006” by VISA. In May 2007, we and Bank of China together with MasterCard International Organization jointly launched a dual-currency travel credit card through which holders of the credit card may book hotels, air tickets and packaged-tour products with us, and settle the payments in either RMB or U.S. dollars. The credit card holder is also entitled to high insurance coverage upon settlement of payment regarding our air tickets and packaged-tour products. As of February 29, 2008, the number of holders of this credit card exceeded 100,000.

*Online Marketing.* We have paid many of the leading Internet search engines and portals in China to prominently feature our websites.

*Advertising.* We advertise in top tier newspapers, radio broadcasting and traffic hubs in China’s major cities where we have a sales team. Based on our experience, this is an effective advertising method for increasing brand awareness and attracting new customers.

*Customer Reward Program.* To secure our customers’ loyalty and further promote our Ctrip brand, we provide our customers with a customer reward program. This program allows our customers to accumulate membership points calculated according to the services purchased by the customers. Our customers may then redeem these points for travel awards and other gifts.

### **Supplier Relationship Management**

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

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

### **Technology and Infrastructure**

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

Since inception, we have supported substantial growth in our offline and online traffic and transactions with our present architecture. Our proprietary booking software is integrated with our websites and customer service center operations. Our hardware platform for the Internet consists of Hewlett-Packard servers. We have contracted with Avaya Inc., Hewlett-Packard Company and Dell Inc. for warranty services for our hardware platform. We maintain our databases on HP Superdome, HP RX4640, HP DL740, HP DL580, HP DL585, and conduct daily backup functions for off-site storage. We access the Internet backbone via two 100 megabit ethernet lines and another 20 megabit line for load balance and backup. Our customer service center operations are managed by an Avaya S8700 media server. We maintain all of our servers at our premises in Shanghai.

## Competition

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

In the air-ticketing market, we compete primarily with other consolidators of air tickets with a multi-province airline ticket sales and fulfillment infrastructure in China, including eLong, Inc. and Mangocity.com. 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.

## 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.

We have registered our domain names www.ctrip.com and www.gotochina.com 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 the trademarks “Ctrip” and “携程” with the Trade Mark Office of the People’s Republic of China State General Administration for Industry and Commerce. We have also registered the trademark “携程” with the Registrar of Trade Marks in Hong Kong.

In 2005, “携程” was recognized as a “Famous Brand,” which was the highest recognition for consumer brands granted by the Shanghai municipal government. In 2007, we were selected by Forbes as one of the “Top 100 Companies with Great Potential” in China, and elected by Fortune China as one of the “Best Employers of 2007 in China.” In early 2008, “携程” was also recognized as “Famous Chinese Trademark”, which was the highest recognition for consumer brands granted by State Industrial and Commercial Bureau. With these recognitions, we believe our trademark will be rigorously and actively protected by Industrial and Commercial Bureaus at both local and national levels.

## 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 directors, Qi Ji and Min Fan, and our officers Jianmin Zhu and Gangyi Yan, and a family member of a senior officer, Fengying Zhang, all of whom are PRC citizens, directly or indirectly own all or most of the equity in our affiliated Chinese entities as of December 31, 2007.

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According to our PRC counsel, Commerce & Finance Law Offices, the ownership structures, businesses and operations of our subsidiaries and affiliated Chinese entities in China, 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 tickets for domestic flights in China.

**Travel Agency.** The principal regulation governing foreign ownership of travel agencies in China is the Establishment of Foreign-controlled and Wholly Foreign-owned Travel Agencies Tentative Provisions, as amended in February 2005. On August 10, 2007, the National Tourism Administration and Ministry of Commerce jointly promulgated a notice on the establishment and operation of travel agencies owned by Hong Kong or Macau investors, which became effective on January 1, 2008. Currently, qualified 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 example, other than travel agencies with investments from Hong Kong or Macau investors in the Guangxi, Hunan, Hainan, Fujian, Jiangxi, Yunnan, Guizhou and Sichuan regions being permitted to arrange for the travel of residents in the aforementioned regions from mainland China to Hong Kong and Macau, foreign travel agencies cannot arrange for the travel of persons from mainland China to Hong Kong, Macau, Taiwan or any other country. In addition, foreign travel agencies cannot establish branches.

**Online Advertising.** The principal regulations governing foreign ownership of advertising agencies in China are the Foreign Investment Industrial Guidance Catalogue (2007) and the Administrative Regulations Concerning Foreign Invested Advertising Enterprises (2004). Under these regulations, prior to December 10, 2005, foreign investors (other than those qualified Hong Kong or Macau service providers which were permitted to own up to 100% of an advertising agency in China) were only allowed to own up to 70% of an advertising agency in China. Beginning on December 10, 2005, foreign investors are allowed to own 100% of an advertising agency in China subject to certain qualification requirements. However, for those advertising agencies who 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 telecommunications related value-added service provision business in China include:

- Administrative Rules for Foreign Investments in Telecommunications Enterprises (2001); and
- Foreign Investment Industrial Guidance Catalogue (2007).

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

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



### **General Regulation of Businesses**

**Air-ticketing.** The air-ticketing business is subject to the supervision of China National Aviation Transportation Association, or CNATA, and its regional branches. Prior to March 31, 2006, the principal regulation governing air-ticketing in China is the Administration on Civil Aviation Transporting Marketing Agency Business Regulations (1993). The said regulation was abolished by PRC government on January 24, 2008. 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 these regulations, prior to May 19, 2005, an air-ticketing agency was required to obtain a permit from CAAC or its regional branch in every city in which the agency propose to conduct its air-ticketing business. On and after May 19, 2005, any entity that wishes to conduct the air-ticketing business in China must apply for an air-ticketing permit from CNATA. The regulations provide for a transitional grace period for air-ticketing agencies that have obtained a valid license from CAAC or its regional branch prior to the promulgation of the new rules. These agencies are permitted to use their original licenses until such licenses expire.

**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:

- Administration of Travel Agencies Regulations (1996), as amended in December 2001; and
- Administration of Travel Agencies Regulations Implementing Rules (2001).

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 State General Administration of Industry and Commerce is responsible for regulating advertising activities in China. The principal regulations governing advertising (including online advertising) in China include:

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

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

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

- Telecommunications Regulations (2000);
- The Administrative Measures for Telecommunications Business Operating Licenses (2001); and
- The Internet Information Services Administrative Measures (2000).

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

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

### **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 (1996), as amended. Under these Rules, 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 People's Republic of China is obtained.

Pursuant to the Foreign Currency Administration Rules, foreign investment enterprises in China may purchase foreign currency without the approval of the State Administration for Foreign Exchange of the PRC 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 State Administration for Foreign Exchange of the PRC) 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 the State Administration for Foreign Exchange of 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 October 2000;
- Administrative Rules under the Foreign Investment Enterprise Law (2001);
- Company Law of the PRC (2005); and
- Enterprise Income Tax Law and its Implementation Rules (2007).

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

Under the new 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 who 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.

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Under the new 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 new 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 new 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 sourced from within the PRC and 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 subsidiaries as of December 31, 2007:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Ownership Interest</u>
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%
Ctrip.com (Hong Kong) Limited	Hong Kong	100%
C-Travel International Limited	The Cayman Islands	100%

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, including:

- Beijing Ctrip;
- Shanghai Ctrip Commerce;
- Guangzhou Ctrip;
- Shanghai Huacheng;
- Shanghai Ctrip Charming;
- Shenzhen Ctrip; and
- Nantong Tongcheng.

As of December 31, 2007, Qi Ji, our co-founder and director, Min Fan, our co-founder, director and Chief Executive Officer, Jianmin Zhu, our Senior Vice President, Gangyi Yan, our senior director, and Fengying Zhang, a family member of a senior officer, were the principal owners of our affiliated Chinese entities. Each of them has signed an irrevocable power of attorney to appoint our Chief Financial Officer, Jane Jie Sun, as attorney-in-fact to vote on all matters of our affiliated Chinese entities for a period of ten years ending in 2016.

### D. Property, Plants and Equipment

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

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On February 3, 2005, we entered into a Land Early Development Cost Compensation Agreement with Shanghai Hong Qiao Lin Kong Economic Development Park Co., Ltd. We acquired land use rights for approximately 17,000 square meters of land in the Shanghai Hong Qiao Lin Kong Economic Development Park for our new information and technology center. On February 13, 2006, we entered into a construction agreement with Shanghai No. 1 Construction Co., Ltd. to construct a new information and technology center on the new premises. In 2007, the construction of the new premises was finished. The aggregate investment for the new premises including the land cost, construction cost and other improvement cost was approximately US\$31 million. These new premises now serve as our headquarters, 24-hour customer service center, production development center and administrative and support facilities. Most of the construction costs were paid in 2005, 2006 and 2007, with approximately US\$3 million to be paid in 2008.

To support our future business expansion, we acquired the land use right to a piece of land in Nantong in January 2008. Nantong is a city in Jiangsu Province and is approximately 110 kilometers north of Shanghai. We plan to build our second call center on this piece of land.

### **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 2007, we derived 53%, 39%, 6% and 2% of our revenues from our hotel reservation, air ticketing, packaged-tour and other businesses, 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 28, 2008, the gross domestic product, or GDP, of China grew from RMB13.6 trillion (US\$1.7 trillion) in 2003 to RMB24.7 trillion (US\$3.4 trillion) in 2007, representing a compound annual growth rate of 16%. GDP per capita in the same period rose from RMB10,542 (US\$1,273) to RMB18,665 (US\$2,559), representing a 15% 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 28, 2008, domestic tourism spending grew from RMB344.2 billion (US\$41.6 billion) in 2003 to RMB777.1 billion (US\$106.5 billion) in 2007, representing a compound annual growth of 23%. 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 a slow-down of the Chinese economy, could have a material and adverse effect on the travel industry in China, which in turn would harm our business.

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

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

- the outbreak of avian influenza, severe acute respiratory syndrome, or SARs, or any other serious contagious diseases;
- increased prices in the hotel, airline or other travel-related industries.
- increased occurrence of travel-related accidents;
- natural disasters or poor weather conditions;
- terrorist attacks or threats of terrorist attacks or war; and
- general economic downturns.

During the period from March 2003 through June 2003, the economies of several countries in Asia, including China, were severely affected by the outbreak of SARS. Our business and our operating results during that period were also adversely affected. From time to time, there have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. If there is a recurrence of an outbreak of SARS or any similar outbreak of other contagious diseases such as avian flu, it may adversely affect the travel industry and has a material and adverse effect on our business and operating results.

## **Major Factors Affecting Our Results of Operations**

### **Revenues**

**Revenue Composition and Sources of Revenue Growth.** We have experienced significant revenue growth since we commenced operations in 1999. Our revenues grew from RMB183 million in 2003 to RMB1,287 million (US\$176 million) in 2007, representing a compound annual growth rate of 63%.

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

	Year-Ended December 31,		
	2005	2006	2007
Revenues:			
Hotel reservation	65%	57%	53%
Air ticketing	29	35	39
Packaged-tour*	4	5	6
Others	2	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.”

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

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

*Hotel Reservation.* Revenues from our hotel reservation business have been our primary source of revenue since our inception. In 2005, 2006 and 2007, revenues from our hotel reservation business accounted for RMB363 million, RMB476 million and RMB677 million (US\$93 million), respectively, or 65%, 57% and 53%, respectively, of our revenues.

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

*Air-Ticketing.* Since early 2002, the air-ticketing business has been growing rapidly. In 2005, 2006 and 2007, revenues from our air-ticketing business accounted for RMB163 million, RMB293 million and RMB503 million (US\$69 million), respectively, or 29%, 35% and 39%, respectively, of our revenues.

We conduct our air-ticketing business through Beijing Ctrip, Shanghai Huacheng, Shanghai Ctrip Charming, Guangzhou Ctrip and Shenzhen Ctrip, all of which are our consolidated affiliated Chinese entities, as well as a network of independent air-ticketing service companies. Commissions from air-ticketing services rendered are recognized after air tickets are issued. We generally receive a higher commission rate per ticket as the total number of tickets we sell for an airline increases, subject to any applicable regulatory restrictions.

*Packaged-tour.* Our packaged-tour business has grown rapidly in the past three years. In 2005, 2006 and 2007, revenues from our packaged tour business accounted for RMB23 million, RMB42 million and RMB71 million (US\$10 million), respectively. We conduct our packaged-tour business mainly through Shanghai Ctrip Charming, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip, and Shanghai Huacheng. Shanghai Ctrip Charming, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip, and Shanghai Huacheng bundle the packaged-tour products and receive referral fees from different travel suppliers for different components and services of the packaged-tour sold through our transaction and service platform. Referral fees are recognized as net revenues after the packaged-tour services are rendered. Shanghai Ctrip Charming, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip, and Shanghai Huacheng 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.

*Other Businesses.* Our other business lines primarily consist of Internet-related advertising services, and the sale of travel guidebooks and VIP membership cards. We place our customers’ advertisements on our websites and in our introductory brochures. We conduct the advertising business through Ctrip Commerce, and we recognize revenue when Ctrip Commerce renders advertising services. We sell VIP membership cards that allow cardholders to enjoy certain priority in obtaining our services and receive discounts from many restaurants, clubs and bars in China. Revenues from the sale of travel guidebooks and VIP membership cards are recognized when the products are sold, provided that we do not have any significant outstanding obligations.

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### **Cost of Revenues**

Cost of revenues are costs directly attributable to rendering our revenues, which consist primarily of payroll compensation, telecommunication expenses, credit card charges and other direct expenses incurred in connection with our transaction and service platform. Payroll compensation accounted for 62%, 63% and 64% of our cost of revenues in 2005, 2006 and 2007, respectively. Telecommunication expenses accounted for 14% of our cost of revenues in 2005, 2006 and 2007. Credit card charges accounted for 9%, 11% and 15% of our cost of revenues in 2005, 2006 and 2007, respectively.

Cost of revenues accounted for 17%, 20% and 20% of our net revenues in 2005, 2006 and 2007, 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 revenue was largely due to the relatively higher cost of revenues as a result of increased revenue contribution from air-ticketing services and packaged tours, which was partially offset by efforts to increase efficiency of customer service.

### **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. Effective January 1, 2006 we adopted SFAS No.123R and recorded share-based compensation expense under the fair value method. Prior to January 1, 2006, we accounted for share-based compensation under Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB No. 25”) and used the intrinsic value method. In the year ended December 31, 2007, we recorded RMB87 million (US\$12 million) of share-based compensation expense compared to RMB2 million and RMB55 million for the years ended December 31, 2005 and 2006, 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 as a percentage of net revenues increased from 11% in 2005 to 14% in 2006, and increased slightly to 15% in 2007, primarily due to increase of share-based compensation and product development personnel resources.

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 as a percentage of net revenues had remained generally consistent at 21%, 22% and 20% for 2005, 2006 and 2007, respectively.

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. General and administrative expenses as a percentage of net revenues increased from 8% to 12% from 2005 to 2006 primarily due to increase of share-based compensation, and remained consistent at 12% for 2007.

### **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 12%, 15% and 13% for 2005, 2006 and 2007, 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 and Ctrip Travel Network, and our consolidated affiliated Chinese entity, Shenzhen Ctrip, as discussed below.

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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 new EIT Law applies a uniform 25% enterprise income tax rate to both foreign invested enterprises and domestic enterprises. According to a grandfathering provision of a law published by the State Department, there will be a five-year transition period during which enterprises are allowed to continue to enjoy their existing preferential tax treatments approved by the applicable tax laws and administrative regulations. 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 the effective tax rate for 2006 from 2005 was primarily due to an increase of non-tax deductible share-based compensation recognized under FAS 123R. The decrease in the effective tax rate for 2007 from 2006 was primarily due to an increase in deferred tax benefit resulting from the application of the tax rate of 25% under the new EIT Law as of December 31, 2007, as required by applicable accounting guidelines.

Pursuant to the new 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 our subsidiaries, Ctrip Travel Information and Ctrip Travel Network, and our consolidated affiliated Chinese entity, Shenzhen Ctrip.

- Our subsidiary, Ctrip Computer Technology, was entitled to a 15% EIT rate in 2007 as it had been classified as a "High and New Technology Development Enterprise" by relevant PRC government authorities. Ctrip Computer Technology is subject to a tax rate of 25%, or 15% if its application for treatment as a high and new technology enterprise is approved in 2008.
- Our subsidiary, Ctrip Travel Information, historically enjoyed a preferential income tax rate of 15% as it is registered in Pudong New District, Shanghai. During the fourth quarter of 2004, Ctrip Travel Information obtained approval from the relevant tax bureau for full exemption of income tax for 2004 and a 50% reduction of the income tax statutory rate for the period from 2005 to 2007 as it obtained the status of "software development company." Ctrip Travel Information is subject to a transitional preferential tax rate of 18%, or 15% if its application for treatment as a high and new technology enterprise is approved in 2008.
- Our subsidiary, Ctrip Travel Network, obtained approval from the relevant tax bureau during the fourth quarter of 2007 for a 50% reduction of its statutory and local income tax rate for the period from 2007 to 2009 as it obtained the status of "software development company." Ctrip Travel Network's qualification for the above preferential EIT rate is subject to annual re-assessment by the relevant government authorities. Ctrip Travel Network is subject to a tax rate of 25%, or 15% if its application for treatment as a high and new technology enterprise is approved in 2008.
- Our affiliated Chinese entity, Shenzhen Ctrip, was entitled to a preferential tax rate of 15% as granted by the local tax bureau based on its registration in the city of Shenzhen in China in 2007. Shenzhen Ctrip is entitled to a transitional preferential tax rate of 18% for 2008.

On April 14, 2008, the Ministry of Science and Technology and the Ministry of Finance and State Administration of Taxation jointly issued Guokefahuo (2008) No.127, "Administrative Measures for Assessment of High-New Tech Enterprises," or Measures, and "Catalogue of High/New Tech Domains Strongly Supported by the State," or 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 New Tech Enterprise under the new EIT Law. Currently, we are in the process of reviewing and assessing the implications of the Measures and the Catalogue on our subsidiaries and VIEs in China. Our future effective income tax rate depends on various factors, such as tax legislation, the geographic composition of our pre-tax income and non-tax deductible expenses incurred. Our management carefully monitors these legal developments and will timely adjust our effective income tax rate when necessary.



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*Financial Subsidies.* In 2005, 2006 and 2007, our subsidiaries in China received business tax rebates in the form of financial subsidies from the government authorities in Shanghai in the amount of approximately RMB18 million, RMB11 million and RMB21 million (US\$3 million), respectively, which we recorded as other income on a cash basis.

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 business tax rebates or other financial subsidies in the future.

### **Critical Accounting Policies**

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

*Revenue Recognition.* We describe our revenue recognition policies in our consolidated financial statements. We apply Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" and Emerging Issues Task Force 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent" to our policies for revenue recognition and presentation of statement of operations. 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.

*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. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," 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. Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" 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 each of 2005, 2006 and 2007, 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. Throughout the past year, 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 Reward Program.* We offer a customer reward 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 a liability and corresponding expense for the related future obligations. As of December 31, 2006 and 2007, our accrued balance for the customer reward program were approximately RMB30 million and RMB45 million (US\$6 million), respectively. We estimate our liabilities under our customer reward program based on accumulated membership points and our estimate of probability of redemption. If actual redemption differs significantly from our estimate, it will result in an adjustment to our liability and the corresponding expense.

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*Share-Based Compensation.* Effective January 1, 2006 we adopted SFAS No.123R using the modified prospective method and therefore have not restated prior periods' results. Under the fair value recognition provisions of SFAS No.123R, 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. Prior to SFAS No. 123R adoption, we accounted for share-based payments under APB No. 25 and accordingly, recognized share-based compensation expense related to stock options with intrinsic value approach with required disclosures and accounted for forfeitures as they occurred.

Under SFAS No. 123R, 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. 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 experience of our stock options that are 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.

*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 carryforwards 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, 2006 and 2007, we recorded deferred tax assets of RMB3 million and RMB11 million (US\$1.5 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, 2006 and 2007, we did not record any valuation allowances to reduce our deferred tax assets, as we believed that our deferred tax asset amounts were more likely than not to be realized based on our estimate of future taxable income.

*Allowance for doubtful accounts.* Accounts receivable are recorded at the invoiced amount and do not bear interest. We provide a general provision for doubtful accounts for the outstanding trade receivable balances based on historical experience and information available. Additionally, we make specific bad debt provisions based on (i) our specific assessment of the collectibility of all significant accounts; and (ii) any specific knowledge we have acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require us to use substantial judgment in assessing its collectibility. As of the end of December 31, 2006 and 2007, the allowance for doubtful accounts was RMB8,469 and RMB3,002,114, respectively.

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**Results of Operations**

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

	For the Year Ended December 31,									
	2005		2006		2007					
	RMB (in thousands)	%	RMB (in thousands)	%	RMB (in thousands)	US\$ (in thousands)			%	
<b>Revenues:</b>										
Hotel reservation	362,857	69	476,495	61	676,511	92,742				56
Air ticketing	162,645	31	292,701	38	503,453	69,017				42
Packaged-tour <sup>(1)</sup>	22,756	4	41,702	5	71,496	9,801				6
Others	10,915	3	23,129	3	35,818	4,910				3
<b>Total revenues</b>	<b>559,173</b>	<b>107</b>	<b>834,027</b>	<b>107</b>	<b>1,287,278</b>	<b>176,470</b>				<b>107</b>
Less: Business tax and related surcharges	(34,990)	(7)	(54,075)	(7)	(88,167)	(12,087)				(7)
<b>Net revenues</b>	<b>524,183</b>	<b>100</b>	<b>779,952</b>	<b>100</b>	<b>1,199,111</b>	<b>164,383</b>				<b>100</b>
Cost of revenues	(88,627)	(17)	(153,132)	(20)	(236,226)	(32,383)				(20)
<b>Gross profit</b>	<b>435,556</b>	<b>83</b>	<b>626,820</b>	<b>80</b>	<b>962,885</b>	<b>132,000</b>				<b>80</b>
<b>Operating expenses:</b>										
Product development <sup>(2)</sup>	(57,913)	(11)	(105,938)	(14)	(177,302)	(24,306)				(15)
Sales and marketing <sup>(2)</sup>	(112,532)	(21)	(172,492)	(22)	(243,314)	(33,356)				(20)
General and administrative <sup>(2)</sup>	(42,651)	(8)	(93,174)	(12)	(137,944)	(18,910)				(12)
<b>Total operating expenses</b>	<b>(213,096)</b>	<b>(41)</b>	<b>(371,604)</b>	<b>(48)</b>	<b>(558,560)</b>	<b>(76,572)</b>				<b>(47)</b>
<b>Income from operations</b>	<b>222,460</b>	<b>42</b>	<b>255,216</b>	<b>33</b>	<b>404,325</b>	<b>55,428</b>				<b>34</b>
Interest income	12,661	2	15,632	2	16,704	2,290				1
Other income	19,971	4	11,214	1	35,297	4,839				3
<b>Income before income tax expense and minority interests</b>	<b>255,092</b>	<b>49</b>	<b>282,062</b>	<b>36</b>	<b>456,326</b>	<b>62,557</b>				<b>38</b>
Income tax expense	(30,577)	(6)	(41,277)	(5)	(58,006)	(7,952)				(5)
Minority interests	(269)	—	(221)	—	4	—				—
<b>Net income</b>	<b>224,246</b>	<b>43</b>	<b>240,564</b>	<b>31</b>	<b>398,324</b>	<b>54,605</b>				<b>33</b>

(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:

	For the Year Ended December 31,									
	2005		2006		2007					
	RMB (in thousands)	%	RMB (in thousands)	%	RMB (in thousands)	US\$ (in thousands)			%	
Product development	(403)	—	(13,694)	(2)	(22,708)	(3,113)				(2)
Sales and marketing	(258)	—	(8,558)	(1)	(13,649)	(1,871)				(1)
General and administrative	(1,116)	—	(32,430)	(4)	(50,557)	(6,931)				(4)

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.

**2007 compared to 2006**

*Revenues*

Total revenues were RMB1,287 million (US\$176 million) in 2007, an increase of 54% over RMB834 million in 2006. This revenue growth was principally driven by the substantial volume growth in hotel room nights booked and air tickets sold in 2007.

*Hotel Reservation.* Revenues from our hotel reservation business increased by 42% to RMB677 million (US\$93 million) in 2007 from RMB476 million in 2006, primarily as a result of the continued rapid growth in our hotel room nights sales volume. The total number of hotel room nights booked in 2007 was approximately 9.6 million compared to over 6.8 million in 2006. In 2007, the average commission per room night was approximately RMB70, remain consistent with 2006.

*Air-Ticketing.* Revenues from our air-ticketing business increased by 72% to RMB503 million (US\$69 million) in 2007 from RMB293 million in 2006, primarily due to strong growth of air tickets sales volume as we continued to expand our air ticketing capabilities significantly. The total number of air tickets sold in 2007 was approximately 10.7 million, compared to approximately 6.4 million in 2006. In 2007, the average commission per ticket sold increased to RMB47 from RMB46 in 2006.

*Packaged-tour.* Packaged-tour revenues increased by 71% from RMB42 million in 2006 to RMB71 million (US\$10 million) in 2007, as we continued growing our packaged-tour business.

*Other businesses.* Revenues from other businesses increased by 55% from RMB23 million in 2006 to RMB36 million (US\$5 million) in 2007 primarily due to increased sales of air-ticket insurance and advertising service.

*Business tax and related surcharges*

Our business tax and related surcharges increased by 63% from RMB54 million in 2006 to RMB88 million (US\$12 million) in 2007 as a result of our increased revenues in all of our business lines.

*Cost of Revenues*

Cost of revenues in 2007 increased by 54% to RMB236 million (US\$32 million) from RMB153 million in 2006. This increase was primarily attributable to increased costs associated with our air-ticketing and packaged-tour businesses and, to a less extent, the expansion of our hotel reservation business.

*Operating Expenses*

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

*Product Development.* Product development expenses increased by 67% to RMB177 million (US\$24 million) in 2007 from RMB106 million in 2006, primarily due to increase of product development personnel as we expanded our air ticketing and packaged-tour businesses and increase of RMB9 million (US\$1 million) in share-based compensation expenses from 2006 to 2007.

*Sales and Marketing.* Sales and marketing expenses increased by 41% to RMB243 million (US\$33 million) in 2007 from RMB172 million in 2006, primarily attributable to increased salary and benefit expenses for the increased number of sales and marketing staff, advertisements expenses and marketing and promotion expenses, as well as the increase of RMB5 million (US\$0.7 million) in share-based compensation expenses from 2006 to 2007.

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*General and Administrative.* General and administrative expenses increased by 48% to RMB138 million (US\$19 million) in 2007 from RMB93 million in 2006, primarily due to the increase of RMB18 million (US\$2 million) in share-based compensation charges and the hiring of general and administrative personnel in 2007.

*Interest Income.* Interest income increased to RMB17 million (US\$2 million) in 2007 from RMB16 million in 2006 due to the increased cash generated from operations.

*Other Income.* Other income increased by 215% to RMB35 million (US\$5 million) in 2007 from RMB11 million in 2006, primarily due to increase of subsidy income.

*Income Tax Expense.* Income tax expense was RMB58 million (US\$8 million) in 2007, an increase of 41% over RMB41 million in 2006, primarily due to the increase of our taxable income in 2007. Our effective income tax rate in 2007 was 13%, as compared to 15% in 2006, primarily due to an increase in deferred tax benefit resulting from the application of the tax rate of 25% under the new EIT Law as of December 31, 2007, as required by applicable accounting guidelines.

### **2006 compared to 2005**

#### *Revenues*

Total revenues were RMB834 million in 2006, an increase of 49% over RMB559 million in 2005. This revenue growth was principally driven by the substantial volume growth in hotel room nights booked and air tickets sold in 2006.

*Hotel Reservation.* Revenues from our hotel reservation business increased by 31% to RMB476 million in 2006 from RMB363 million in 2005, primarily as a result of the continued rapid growth in our hotel room nights sales volume. The total number of hotel room nights booked in 2006 was approximately 6.8 million compared to over 5.5 million in 2005. In 2006, the average commission per room night was approximately RMB70 compared to approximately RMB66 in 2005.

*Air-Ticketing.* Revenues from our air-ticketing business increased by 80% to RMB293 million in 2006 from RMB163 million in 2005, primarily due to strong growth of air tickets sales volume as we continued to expand our air ticketing capabilities significantly. The total number of air tickets sold in 2006 was approximately 6.4 million, compared to approximately 3.7 million in 2005. In 2006, the average commission per ticket sold increased to RMB46 from RMB44 in 2005.

*Packaged-tour.* Packaged-tour revenues increased by 83% from RMB23 million in 2005 to RMB42 million in 2006, as we continued growing our packaged-tour business.

*Other businesses.* Revenues from other businesses increased by 112% from RMB11 million in 2005 to RMB23 million in 2006, primarily due to increased sales of our air ticket insurance and advertising service.

#### *Business tax and related surcharges*

Our business tax and related surcharges increased by 55% from RMB35 million in 2005 to RMB54 million in 2006 as a result of our increased revenues in all of our business lines.

#### *Cost of Revenues*

Cost of revenues in 2006 increased by 73% to RMB153 million from RMB89 million in 2005. This increase was primarily attributable to increased costs associated with our air-ticketing and packaged-tour businesses and, to a less extent, the expansion of our hotel reservation business.

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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 83% to RMB106 million in 2006 from RMB58 million in 2005, primarily due to increase of product development personnel as we expanded our air ticketing and packaged-tour businesses and increase of RMB13 million in share-based compensation expenses from 2005 to 2006.

*Sales and Marketing.* Sales and marketing expenses increased by 53% to RMB172 million in 2006 from RMB113 million in 2005, primarily attributable to increased salary and benefit expenses for the increased number of sales and marketing staff, advertisements expenses and marketing and promotion expenses, as well as the increase of RMB8 million in share-based compensation expenses from 2005 to 2006.

*General and Administrative.* General and administrative expenses increased by 118% to RMB93 million in 2006 from RMB43 million in 2005, primarily due to the increase of RMB31 million in share-based compensation charges and the hiring of general and administrative personnel in 2006.

*Interest Income.* Interest income increased to RMB16 million in 2006 from RMB13 million in 2005 due to the increased cash generated from operations.

*Other Income.* Other income decreased by 44% to RMB11 million in 2006 from RMB20 million in 2005, primarily because we received less financial subsidies in 2006 as compared to 2005.

*Income Tax Expense.* Income tax expense was RMB41 million in 2006, an increase of 35% over RMB31 million in 2005, primarily due to the increase of our taxable income in 2006. Due to the non-tax deductible nature of the share-based compensation upon the adoption of SFAS No. 123R, our effective income tax rate in 2006 was 15%, as compared to 12% in 2005.

### *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,		
	2005	2006	2007
	RMB	RMB	RMB
		(in thousands)	
Net cash provided by operating activities	231,364	347,892	485,581
Net cash used in investing activities	(72,816)	(206,973)	(269,583)
Net cash (used in)/provided by financing activities	(30,340)	(27,130)	16,367
Net increase in cash and cash equivalents	119,187	109,331	220,025
Cash and cash equivalents at beginning of year	615,875	735,062	844,393
Cash and cash equivalents at end of year	735,062	844,393	1,064,418

Net cash provided by operating activities was RMB485 million (US\$67 million) in 2007, compared to RMB348 million in 2006 and RMB231 million in 2005, primarily due to the increase in our net income resulting from our increased transaction volume.

Net cash used in investing activities amounted to RMB270 million (US\$37 million) in 2007, compared to net cash used in investing activities of RMB207 million in 2006. This increase in 2007 from 2006 was primarily due to our investment in time deposits, construction of our new facilities and purchase of additional servers, workstations, computers, computer software and other items related to our network infrastructure. Net cash used in investing activities amounted to RMB207 million in 2006, compared to net cash used in investing activities of RMB73 million in 2005. This increase in 2006 from 2005 was due to our investment in ezTravel, construction of our new facilities, purchase of the land use right for our new premises, and purchase of additional servers, workstations, computers, computer software and other items related to our network infrastructure.

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Net cash provided by financing activities amounted to RMB16 million (US\$2 million) in 2007, compared to net cash used in financing activities of RMB27 million in 2006 and net cash used in financing activities of RMB30 million in 2005. This change in 2007 was primarily due to proceeds of RMB88 million from the exercise of share options, which was offset by RMB72 million of dividends paid to shareholders. The change in 2006 from 2005 was primarily attributable to the fact that dividends paid to shareholders amounted to RMB67 million in 2006, partially offset by the proceeds of RMB40 million from the exercise of share options.

### *Capital Resources.*

As of December 31, 2007, our primary source of liquidity was RMB1,064 million (US\$146 million) of cash. 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 and cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the foreseeable future. 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.

### *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, 2007 to December 31, 2007 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, on behalf of our affiliated Chinese entities, are required by CAAC to provide guarantees for tickets obtained from various airlines. As of December 31, 2007, the amount under these guarantee arrangements was approximately RMB653 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.

Operating lease obligations for the year 2008, 2009 and 2010 are RMB16 million, RMB6 million and RMB2 million, respectively. Rental expenses amounted to approximately RMB9 million, RMB17 million and RMB25 million for the years ended December 31, 2005, 2006 and 2007, respectively. Rental expense is charged to the statements of income when incurred.

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### F. Tabular Disclosure of Contractual Obligations

The following sets forth our contractual obligations as of December 31, 2007:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in RMB thousands)		
Operating lease obligations	24,309	16,396	7,913	—	—
Purchase obligations	33,547	26,303	4,436	2,808	—
Liabilities incurred for minority interest in a VIE	3,188	1,563	1,625	—	—
	61,044	44,262	13,974	2,808	—

We have outstanding purchase obligations totaling RMB34 million, most of which are related to the construction of the information and technology center and purchase of additional customer service center equipment. We accrue the amount once the services are rendered by our service providers. While the table above indicates our contractual obligations as of December 31, 2007, the actual amounts we are eventually required to pay may be different in the event that any agreements are renegotiated, cancelled or terminated.

### G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “may,” “will,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate,” “is/are likely to” or other and 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 of and change in the travel and online commerce industries in China.

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

- a slow-down of economic growth or economic downturn in China or globally may adversely affect our growth and profitability;
- declines or disruptions in the travel industry generally could reduce our revenue;
- 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 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 profitability may be adversely affected;



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

	<u>Age</u>	<u>Position/Title</u>
James Jianzhang Liang	38	Co-founder; Chairman of the Board
Min Fan	43	Co-founder; Chief Executive Officer; Director
Jane Jie Sun	39	Chief Financial Officer
Neil Nanpeng Shen <sup>(1)</sup>	40	Co-founder; Director
Qi Ji	41	Co-founder; Director
Gabriel Li <sup>(1)</sup>	40	Deputy Chairman of the Board
JP Gan <sup>(1)(2)</sup>	36	Director
Suyang Zhang <sup>(2)</sup>	49	Director
Jianmin Zhu	39	Senior Vice President
Tao Yang	32	Senior Vice President
Maohua Sun	36	Vice President
James Lan Tang	40	Vice President
Shaw Xiaoliang Ding	43	Vice President
Cindy Xiaofan Wang	33	Vice President
Yuxiang Zhuang	32	Vice President
Dongjie Guo	41	Vice President

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

Each of the foregoing 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 Chief Executive Officer from 2000 to January 2006 and has served as a member of our board of directors since our inception. He has been Chairman of our board since August 2003. Prior to founding our company, Mr. Liang held a number of technical and managerial positions with Oracle Corporation from 1991 to 1999 in the United States and China, including the head of the ERP consulting division of Oracle China from 1997 to 1999. Mr. Liang currently serves on the board of Home Inns. Mr. Liang received his Master's and Bachelor's degrees from Georgia Institute of Technology. He also attended an undergraduate program at Fudan University.

*Min Fan* is one of the co-founders of our company and has served as the Chief Executive Officer of our company since January 2006 and as our director since October 2006. Mr. Fan served as our Chief Operating Officer from November 2004 to January 2006. Prior to that, he served as our Executive Vice President from 2000 to November 2004. From 1997 to 2000, Mr. Fan was the Chief Executive Officer of Shanghai Travel Service Company, a leading domestic travel agency in China. From 1990 to 1997, he served as the Deputy General Manager and in a number of other senior positions at Shanghai New Asia Hotel Management Company, which was one of the leading hotel management companies in China. Mr. Fan obtained his Master's and Bachelor's degrees from Shanghai Jiao Tong University. He also studied at the Lausanne Hotel Management School of Switzerland in 1995.

*Jane Jie Sun* has served as our Chief Financial Officer since December 2005. Ms. Sun has extensive experience in SEC reporting, finance and accounting. Prior to joining us, Ms. Sun served as the head of the SEC and External Reporting Division of Applied Materials, Inc., where she worked from 1997 to 2005. Prior to joining Applied Materials, Inc., Ms. Sun worked with KPMG LLP in Silicon Valley, California for five years. Ms. Sun is a member of American Institute of Certified Public Accountants and a member of State of California Certified Public Accountant. Ms. Sun received her Bachelor's Degree from the Business School of University of Florida with High Honors. She also attended the undergraduate program at the Beijing University Law School.

*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. He was a director at Deutsche Bank Hong Kong where he worked from 1996 to 1999. Prior to 1996, he had worked at Chemical Bank, Lehman Brothers and Citibank in various investment banking areas. Currently, Mr. Shen is the Co-Chairman of Home Inns, an independent director and the chairman of the audit committee of Focus Media Holding Limited, a Nasdaq-listed media advertising company based in China, and an independent director and a member of the audit committee of E-House (China) Holdings Limited, a real estate services company based in China and listed in the New York Stock Exchange. He was awarded "Economic Figure of the Year" by CCTV in 2006 and was voted Top Venture Capitalist in China by Zero2IPO, Forbes Magazine and Global Entrepreneur Magazine. Mr. Shen received his Master's degree from the School of Management at Yale University and his Bachelor's degree from Shanghai Jiao Tong University.

*Qi Ji* is one of the co-founders of our company. He has served as our director since our inception. Other than performing his duties as a director of our company, Mr. Ji is not involved in our daily operations and business affairs. Mr. Ji is the Chief Executive Officer of Powerhill Holdings Ltd. 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.

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*Gabriel Li* has served at different times on our board of directors since 2000. Mr. Li has been Deputy Chairman of our board since August 2003. Mr. Li is the Managing Director and Investment Committee Member of Orchid Asia Group Management, a private equity firm focused on investment in China and Asia for over the past 10 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 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 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 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. He is a Certified Public Accountant in the United States.

*Suyang Zhang* has served as our director since November 2004. He previously served as our director from December 1999 to June 2004. Mr. Zhang is currently a Vice President of IDG Technology Venture Investment Inc., where he has worked since 1996, and General Manager of Shanghai Pacific Technology Venture Fund Co., Ltd., where he has worked since 1994. Mr. Zhang has led his firms' investments in a number of high-tech projects in the areas of electronics, telecommunications and software in recent years. He previously served as a Division Manager of Shanghai Bell, Deputy Director of Shanghai Telephone Equipment Manufacturing Company, and General Manager of Shanghai Vantone Industrial Co. Ltd. He currently serves on the boards of several companies, including Home Inns and Baud Data Communications Co., Ltd. Mr. Zhang holds a Bachelor of Electronics Engineering from Shanghai University and an Executive Masters of Business Administration from China European International Business School.

*Jianmin Zhu* has served as our Senior Vice President since January 2008. Prior to joining us, he worked with several software and system integration companies, including Compaq and RPTI International Ltd. He was a Senior Consultant at Compaq from 1999 to 2000 and Technical Director of RPTI International Ltd. from 1995 to 1998. Mr. Zhu received his Bachelor's degree from Shanghai Jiao Tong University.

*Tao Yang* has served as our Senior Vice President since January 2008. He has served in a number of managerial positions in our company since 2000. From February 1999 to March 2000, Mr. Yang served as Sales Manager of Global Sources Ltd., a worldwide trading information provider. Mr. Yang holds a Bachelor's degree in Mechanical Engineering from Shanghai Jiao Tong University.

*Maohua Sun* has served as our Vice President since January 2005. Ms. Sun joined us in 2000 and has held a number of managerial positions at our company. Prior to joining us, Ms. Sun worked at the Jinjiang Group, a hotel management company in China, from 1994 to 2000. Ms. Sun received her Bachelor's degree from Shanghai Jiao Tong University.

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

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

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

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

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

### *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\$407,375 in 2007. 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 2007.

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\$744,675 in 2007. These agreements provide for terms of service, salary and additional cash compensation arrangements, all of which have been reflected in the 2007 aggregate compensation amount. See "—Employee's Stock Option Plans" for options granted to our executive officers in 2007.

### **Employee's Stock Option Plans**

Our board of directors has adopted four stock option 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, 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.

We have granted options to purchase our ordinary shares under the 2000 Plan, all of which were exercised as of February 29, 2008. We have not granted any options under the 2000 Plan since April 2003 and will not issue any additional options under the 2000 Plan.

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We have reserved an aggregate of 1,187,510 of our ordinary shares for issuance under the 2003 Plan, under which 81,617 options were issued and outstanding as of February 29, 2008. All of the outstanding options under the 2003 Plan are held by employees who are not senior executives or directors. We will not issue any additional options under our 2003 Plan.

We have reserved an aggregate of 3,000,000 ordinary shares for issuance under the 2005 Plan, under which 2,301,527 options were issued and outstanding as of February 29, 2008.

Under the 2007 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to awards is 1,000,000 ordinary shares on the first business day of each calendar year beginning in 2007 to 2016. Under the 2007 Plan, 827,200 options were issued and outstanding as of February 29, 2008.

The following table summarizes, as of February 29, 2008, 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.

	Ordinary Shares Underlying Options Granted	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
James Jianzhang Liang	76,667	19.455	January 24, 2005	January 24, 2010
	100,000	26.225	December 9, 2005	December 9, 2010
	50,000	58.39	February 13, 2007	February 13, 2012
	50,000	106.66	January 7, 2008	January 7, 2013
Qi Ji	10,000	77.02	August 13, 2007	August 13, 2012
Neil Nanpeng Shen	40,000	19.455	January 24, 2005	January 24, 2010
	21,000	58.39	February 13, 2007	February 13, 2012
Min Fan	120,000	19.455	January 24, 2005	January 24, 2010
	100,000	26.225	December 9, 2005	December 9, 2010
	200,000	58.39	February 13, 2007	February 13, 2012
	250,000	106.66	January 7, 2008	January 7, 2013
Jane Jie Sun	70,000	26.225	December 9, 2005	December 9, 2010
	100,000	58.39	February 13, 2007	February 13, 2012
	150,000	106.66	January 7, 2008	January 7, 2013
JP Gan	20,000	22.56	May 13, 2005	May 13, 2010
	21,000	58.39	February 13, 2007	February 13, 2012
Suyang Zhang	20,000	19.455	January 24, 2005	January 24, 2010
	21,000	58.39	February 13, 2007	February 13, 2012
Gabriel Li	21,000	58.39	February 13, 2007	February 13, 2012
Other employees	1,688,060	From 19.455 to 106.66	From January 24, 2005 to January 7, 2008	From January 24, 2010 to January 7, 2013
Total	3,128,727			

The following paragraphs summarize the principal terms of our 2000, 2003 and 2005 Plans.

*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.

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*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 2000, 2003 and 2005 Plans 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 2000 Plan may not exceed ten years from the date of grant. The term of options granted under the 2003 Plan may not exceed five years from the date of grant. 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. 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 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 unless, in either case, the awards are assumed by the successor corporation or its parent.

*Termination or Amendment of Plans.* Unless terminated earlier, the 2005 Plan will terminate automatically in 2009, the 2003 Plan will terminate automatically in 2008 and the 2000 Plan will terminate automatically in 2010. Our board of directors has the authority to amend or terminate our stock option plans subject to shareholder approval to the extent necessary to comply with applicable law. However, no such action may (i) impair the rights of any optionee unless agreed by the optionee and the stock option plan administrator, or (ii) affect the stock option plan administrator's ability to exercise the powers granted to it under our stock option plans.

The following paragraphs summarize the terms of our 2007 Plan:

*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 provisions and terms and conditions of each option grant.

*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.

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*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 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 plans vest 24 months after a specified vesting commencement date, an additional one-third vest 36 months after the specified vesting commencement date and the remaining one-third vest 48 months after the specified vesting commencement date, subject to other terms under the option plan.

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

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

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

### *C. Board Practices*

In 2007, our directors held meetings or passed resolutions by unanimous written consent 14 times. No director participated in fewer than 75% of all the meetings of our board and its committees on which he served after becoming a member of our board. 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.

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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 4200 of the Nasdaq Rules is met by Messrs. Gan and Li. Mr. Shen was our Chief Financial Officer until October 2005 and therefore is not considered an independent director under Rule 4200. Rule 4350 of the Nasdaq Rules permits foreign private issuers like our company to follow home country practice in certain corporate governance matters. Our Cayman Islands counsel has provided a letter to Nasdaq certifying that under Cayman Islands law, we are not required to establish or maintain an audit committee, and Cayman Islands law contains no requirement with respect to the independence of directors or the constitution of any audit committee that may be created. Nasdaq has acknowledged the receipt of such letter and our home country practice with respect to the audit committee. In addition, all the members of our audit committee qualify as “audit committee financial experts” as defined in the relevant Nasdaq Rules. In 2007, our audit committee held meetings or passed resolutions by unanimous written consent six times.

**Compensation Committee.** Our compensation committee reviews and evaluates and, if necessary, revises the compensation policies adopted by the management. Our compensation committee also determines all forms of compensation to be provided to our chief 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.

Our compensation committee consists of Messrs. Zhang and Gan, both of whom meet the “independence” definition under the Nasdaq Rules. In 2007, our compensation committee held four meetings.

### **Duties of Directors**

Under Cayman Islands law, our directors have a duty of loyalty to act honestly and in good faith in the best interests of our company. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. We have the right to take legal action if a duty owed by our directors is breached.

### **Terms of Directors and Officers**

All directors hold office until their successors have been duly elected and qualified. A director may only be removed by the shareholders who nominated and elected such director. Officers are elected by and serve at the discretion of the board of directors.

### **D. Employees**

As of December 31, 2007, we had approximately 7,100 employees, including 500 in management and administration, 3,700 in our customer service center, 1,200 in sales and marketing, and 1,700 in product development including supplier management personnel and technical support personnel. Most of our employees are based in Shanghai, Beijing, Guangzhou and Shenzhen, and we have certain on-site sales and marketing staffs in over 45 major cities in China. We consider our relations with our employees to be good.

### **E. Share Ownership**

As of February 29, 2008, 33,221,132 of our ordinary shares were outstanding, excluding shares issuable upon exercise of outstanding options. Our shareholders are entitled to vote together as a single class on all matters submitted to shareholders vote. No shareholder has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, taking into account the aggregate number of ordinary shares underlying share options that were outstanding as of, and exercisable within 60 days after, February 29, 2008, by (1) each of our directors and senior management; and (2) each of our shareholders who beneficially own more than 5.0% of our ordinary shares. For information regarding share options granted to our directors and senior executive officers, see Item 6.B, “— Compensation of



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Directors and Executive Officer.” 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 <sup>(1)</sup>	
	Number	% <sup>(2)</sup>
<b>Directors and Senior Management:</b>		
James Jianzhang Liang <sup>(3)</sup>	576,667	1.7%
Min Fan <sup>(4)</sup>	399,737	1.2%
Neil Nanpeng Shen <sup>(5)</sup>	167,000	0.5%
Jane Jie Sun <sup>(6)</sup>	70,000	0.2%
James Lan Tang <sup>(7)</sup>	39,513	0.1%
Jianmin Zhu <sup>(8)</sup>	33,000	0.1%
Other directors and executive officers as a group of 9 persons each of whom individually owns less than 0.1% <sup>(9)</sup>	167,356	0.5%
<b>Principal Shareholders:</b>		
Entities affiliated with FMR LLC <sup>(10)</sup>	4,952,667	14.9%
Entities affiliated with AXA Assurances I.A.R.D. Mutuelle <sup>(11)</sup>	3,436,744	10.3%
Entities affiliated with Morgan Stanley <sup>(1 2)</sup>	2,008,230	6.1%
Entities affiliated with Mirae Asset Global Investments (Hong Kong) Limited <sup>(13)</sup>	1,643,803	5.0%

- Notes:
- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, or the SEC, and includes voting or investment power with respect to the securities.
  - (2) For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of 33,221,132, being the number of ordinary shares outstanding as of February 29, 2008, and the number of ordinary shares underlying share options held by such person or group that were exercisable within 60 days after February 29, 2008.
  - (3) Includes 433,333 ordinary shares held by Mr. Liang and 143,334 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2008 held by Mr. Liang.
  - (4) Includes 146,404 ordinary shares held by Perfectpoint International Limited, a British Virgin Islands company owned by Mr. Fan and 253,333 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2008 held by Mr. Fan.
  - (5) Includes 120,000 ordinary shares held by Mr. Shen and SmartMaster International Limited, a British Virgin Islands company owned by Mr. Shen and 47,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2008 held by Mr. Shen.
  - (6) Includes 70,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2008 held by Ms. Sun.
  - (7) Includes 10,746 ordinary shares held by Mr. Tang and 28,767 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2008 held by Mr. Tang.
  - (8) Includes 23,000 ordinary shares held by Mr. Zhu and 10,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2008 held by Mr. Zhu.
  - (9) Includes 47,274 ordinary shares and 120,082 ordinary shares that were issuable upon exercise of options exercisable within 60 days after February 29, 2008 held by 9 of our current directors and executive officers as a group.
  - (10) Includes 4,952,667 ordinary shares held by entities affiliated with FMR LLC, which we refer to collectively as FMR. Information regarding beneficial ownership is reported as of December 31, 2007, based on the information contained in the Schedule 13G/A filed by FMR with the SEC on February 14, 2008 and the number of ordinary shares outstanding as of December 31, 2007. Please see this Schedule 13G/A for information relating to FMR. The address of FMR is 82 Devonshire Street, Boston, Massachusetts 02109.
  - (11) Includes 3,436,744 ordinary shares held by entities affiliated with AXA Assurances I.A.R.D. Mutuelle, which we refer to collectively as AXA. Information regarding beneficial ownership is reported as of March 31, 2008, based on the information contained in the Schedule 13G/A filed by AXA with the SEC on April 10, 2008 and the number of ordinary shares outstanding as of March 31, 2008. Please see this Schedule 13G/A for information relating to AXA. The address of AXA is 26, rue Drouot, 75009 Paris, France.
  - (12) Includes 2,008,230 ordinary shares held by entities affiliated with Morgan Stanley & Co. Incorporated, which we refer to collectively as Morgan Stanley. Information regarding beneficial ownership is reported as of December 31, 2007, based on the information contained in the Schedule 13G filed by Morgan Stanley with the SEC on February 14, 2008 and the number of ordinary shares outstanding as of December 31, 2007. Please see this Schedule 13G for information relating to Morgan Stanley. The address of Morgan Stanley is 1585 Broadway, New York, New York 10036.

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- (13) Includes 1,643,803 ordinary shares held by entities affiliated with Mirae Asset Global Investments (Hong Kong) Limited, which we refer to collectively as Mirae. Information regarding beneficial ownership is reported as of December 28, 2007, based on the information contained in the Schedule 13G filed by Mirae with the SEC on January 22, 2008 (after adjustment to reflect a change of the ratio of our ADSs to ordinary shares from one ADS representing one ordinary share to one ADS representing one-half of an ordinary share) and the number of ordinary shares outstanding as of December 28, 2007. Please see this Schedule 13G for information relating to Mirae. The address of Mirae is Level 15, Three Pacific Place, 1 Queen's Road East, Hong Kong.

### **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

#### *A. Major Shareholders*

Please refer to Item 6, "—Share Ownership."

In connection with a registered offering of 13,290,000 ADSs of our company, which was consummated on August 15, 2007, pursuant to an underwriting agreement, dated August 9, 2007, Rakuten, Inc., or Rakuten, sold to the underwriters named therein an aggregate of 13,290,000 ADSs, representing 6,645,000 shares, at a price of \$38 per ADS. As a result of such sale, Rakuten no longer beneficially owns ordinary shares or ADSs of our company. Please see Schedule 13D/A filed by Rakuten on August 17, 2007 for information relating to Rakuten.

#### *B. Related Party Transactions*

##### **Arrangements with Consolidated Affiliated Chinese Entities**

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the air-ticketing, travel agency, advertising and value-added telecommunications businesses in China. Therefore, we conduct part of our operations in our non-hotel reservation businesses through a series of agreements between our PRC subsidiaries and our affiliated Chinese entities, which hold the licenses and approvals for conducting the air-ticketing, travel agency, and value-added telecommunications businesses in China. We do not hold any ownership interest in our affiliated Chinese entities. As of December 31, 2007, Mr. Fan, who is a co-founder, shareholder, director and Chief Executive Officer of our company, Mr. Ji, who is a co-founder, shareholder and director of our company, Mr. Zhu, who is a Senior Vice President of our company, Mr. Yan, a senior executive of our company, and Fengying Zhang, a family member of a senior officer, were the principal owners of most of the equity in each of our affiliated Chinese entities. As of December 31, 2007:

- Mr. Ji and Ctrip Commerce owned 35.56% and 64.44%, respectively, of Beijing Ctrip.
- Messrs. Ji and Fan owned 10.2% and 89.8%, respectively, of Ctrip Commerce.
- Ctrip Commerce and Mr. Ji owned 90% and 8.33% of Shanghai Huacheng, respectively.
- Messrs. Fan and Zhu owned 90% and 10%, respectively, of Guangzhou Ctrip as well as Shenzhen Ctrip.
- Messrs. Fan and Yan owned 98.2% of Shanghai Ctrip Charming.
- A family member of a senior officer owned 100% of the equity interest in Nantong Tongcheng.

We believe that the terms of these agreements are no less favorable than the terms that we could obtain from disinterested third parties. The terms of the agreements with the same title between us and our respective affiliated Chinese entities are almost identical except for the amount of the business loans to the shareholders of each entity and the amount of service fees paid by each entity. We believe that Messrs. Ji, Fan, Zhu and Yan 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 Messrs. Ji, Fan, Zhu and Yan has irrevocably appointed our Chief Financial Officer, Jane Jie Sun, as attorney-in-fact to vote on their behalf on all matters they are entitled to vote on, including matters relating to the transfer of any or all of their respective equity interests in our affiliated Chinese entities and the appointment of the chief executive officer of our affiliated Chinese entities. The appointment of Ms. Sun as the attorney-in-fact will terminate if she is no longer employed by one of our subsidiaries in China. The term of each of the powers of attorney is ten years.

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*Exclusive Technical Consulting and Services Agreements.* Ctrip Computer Technology and Ctrip Travel Network provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. The initial term of these agreements is ten years. In consideration for our services, our affiliated Chinese entities agree to pay our service fees, which are subject to quarterly adjustment based on their actual operating results. For 2007, Ctrip Commerce paid Ctrip Computer Technology an average quarterly fee of RMB340,000 (US\$46,610) based on the volume of services provided; Beijing Ctrip 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 of RMB47 (US\$6) per ticket and RMB230 (US\$32) per person per tour; Shanghai Huacheng paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold in the quarter, at an average rate of RMB43 (US\$6) per ticket; Guangzhou Ctrip 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 of RMB29 (US\$4) per ticket and RMB27 (US\$4) per person per tour; Shanghai Ctrip Charming paid Ctrip Computer Technology 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 of RMB27 (US\$4) per ticket and RMB221 (US\$30) per person per tour; and Shenzhen Ctrip paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold in the quarter and the number of packaged-tour products sold in the quarter, at an average rate of RMB8 (US\$1) per ticket and RMB2 (US\$0) per person per tour.

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

*Trademark License Agreements.* We grant certain of our affiliated Chinese entities licenses to use our registered trademarks on their websites for a license fee of RMB3,000 (US\$411) per year, if necessary. The terms of these agreements are ten years and may be extended by us for one year.

*Software License Agreements.* We grant our affiliated Chinese entities the right to use our software for a royalty fee of RMB3,000 (US\$411) per year. The terms of these agreements are ten years and may be extended by us for one year.

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

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The following table sets forth, as of December 31, 2007, the amount of each business loan arrangement, the date the loan arrangement was entered into, the principal, interest, maturity date and outstanding balance of the business loan, the borrower and the affiliated Chinese entity.

Date of Loan Agreement	Borrower	Affiliated Chinese Entity	Principal		Interest	Maturity Date	Outstanding Balance	
			(in thousands of RMB)	(in thousands of US\$)			(in thousands of RMB)	(in thousands of US\$)
September 10, 2003	Qi Ji	Beijing Ctrip	1,549.5	198.5	None	September 10, 2013	1,549.5	198.5
September 10, 2003	Min Fan	Ctrip Commerce	980.0	125.6	None	September 10, 2013	980.0	125.6
September 10, 2003	Qi Ji	Ctrip Commerce	1,020.0	130.7	None	September 10, 2013	1,020.0	130.7
January 15, 2004	Min Fan	Ctrip Commerce	4,100.0	525.4	None	January 15, 2014	4,100.0	525.4
October 11, 2006	Min Fan	Ctrip Commerce	3,900.0	499.7	None	January 15, 2014	3,900.0	499.7
August 1, 2004	Jianmin Zhu	Guangzhou Ctrip	50.0	6.4	None	August 1, 2014	50.0	6.4
September 10, 2003	Min Fan	Guangzhou Ctrip	450.0	57.7	None	September 10, 2013	450.0	57.7
August 1, 2004	Jianmin Zhu	Guangzhou Ctrip	150.0	19.2	None	August 1, 2014	150.0	19.2
March 1, 2004	Min Fan	Guangzhou Ctrip	1,350.0	173.0	None	March 1, 2014	1,350.0	173.0
May 11, 2006	Jianmin Zhu	Guangzhou Ctrip	100.0	12.8	None	August 1, 2014	100.0	12.8
May 11, 2006	Min Fan	Guangzhou Ctrip Shanghai	900.0	115.3	None	March 1, 2014	900.0	115.3
October 30, 2003	Min Fan	Charming Shanghai Ctrip	4,290.0	549.7	None	October 30, 2013	4,290.0	549.7
May 26, 2006	Min Fan	Charming Shenzhen	1,190.0	152.5	None	October 30, 2013	1,190.0	152.5
February 6, 2004	Min Fan	Ctrip Shenzhen	1,350.0	173.0	None	February 6, 2014	1,350.0	173.0
August 1, 2004	Jianmin Zhu	Ctrip Shenzhen	150.0	19.2	None	August 1, 2014	150.0	19.2
April 24, 2006	Min Fan	Ctrip Shenzhen	900.0	115.3	None	February 6, 2014	900.0	115.3
April 24, 2006	Jianmin Zhu	Ctrip Shanghai	100.0	12.8	None	August 1, 2014	100.0	12.8
April 12, 2004	Ji Qi Fengying	Huacheng Ctrip	250.0	32.0	None	April 12, 2014	250.0	32.0
March 7, 2008	Zhang	Nantong	10,000.0	1,370.9	None	March 6, 2015	10,000.0	1,370.9

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

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

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

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### **Stock Option Grants**

Please refer to Item 6, “—Employee’s Stock Option Plans.”

### **Commissions from Home Inns & Hotel Management Inc. and its affiliates (collectively, “Home Inns”)**

One of our hotel suppliers, Home Inns, has two directors in common with our company. Home Inns has entered into agreements with us to provide hotel rooms for our customers. Total commissions from Home Inns amounted to RMB512,724, RMB6,272,966 and RMB8,936,554 (US\$1,225,092) for the year ended 2005, 2006 and 2007, respectively. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers.

### **Commissions from Hanting Hotels Inc. and its affiliates (collectively, “Hanting”)**

One of our hotel suppliers, Hanting, has a director in common with our company and a director who is a family member of one of our officers. Hanting has entered into agreements with us to provide hotel rooms for our customers. Total commissions Hanting paid us amounted to RMB287,734, RMB1,427,512 and RMB5,569,353 (US\$763,490) in 2005, 2006 and 2007, respectively. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers.

### **Advertising expenses to Focus Media Holding Ltd.**

One of our advertising suppliers, Focus Media Holding Ltd., has a director in common with our company. Focus Media Holding Ltd. has entered into agreements with us to provide certain advertising services for us. Total advertising expenses to Focus Media Holding Ltd. amounted to RMB2,131,501, RMB1,543,900 and zero in 2005, 2006 and 2007, respectively. These advertising expenses were incurred by us in our ordinary course of business on terms substantially similar to those for unrelated advertising suppliers.

### **Marketing expenses to Alibaba-Yahoo! China**

One of our advertising suppliers, Alibaba—Yahoo! China, was affiliated with a family member of one of our officers. Alibaba—Yahoo! China has entered into agreements with us to provide certain marketing services for us. Total marketing expenses we paid to Alibaba—Yahoo! China amounted to RMB718,874, RMB800,000 and zero in 2005, 2006 and 2007, respectively. These marketing expenses were incurred by us in our ordinary course of business on terms substantially similar to those for unrelated advertising suppliers.

### **Certain Leased Property in Shanghai**

We lease 1,223 square meters of our premises in Shanghai from a company controlled by a family member of one of our directors. Total rental expenses for the leased property amounted to RMB550,000, RMB550,000 and RMB281,650 (US\$38,611) in 2005, 2006 and 2007, respectively. Our renewed lease term commenced on February 1, 2007 and expired on June 30, 2007.

### *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 or threatened litigation or other legal proceeding that may have a material adverse impact on our business or operations. However, we may be subject to various legal proceedings and claims, both asserted and unasserted, that arise in the ordinary course of business.

### Dividend Policy

As part of our restructuring in connection with our initial public offering, we spun off Home Inns in August 2003 and distributed our Home Inns shares to our then-shareholders in the form of dividends on a pro rata as-converted basis. We did not pay any cash dividends on our ordinary shares, or indirectly on our ADSs, with respect to 2003.

Our board and shareholders approved a distribution of 30% of our audited net income for 2004 to our shareholders as dividends. On July 8, 2005, we distributed dividends in the aggregate amount of US\$5 million to our shareholders of record as of June 30, 2005, at a dividend rate of RMB1.26, or US\$0.1525, per ordinary share.

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

In October 2006, our shareholders approved a distribution of 30% of our net income for 2006 to our shareholders as dividends. On July 6, 2007, we distributed dividends in the aggregate amount of RMB 72 million (US\$9.5 million) to our shareholders of record as of June 29, 2007, at a dividend rate of RMB 2.11, or US\$0.277, per ordinary share.

On June 15, 2007, our shareholders approved the distribution of dividends equal to 30% of our net income for 2007 to the shareholders of record as of a date to be determined by our board of directors.

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

The Company has received dividends from our subsidiaries, which have received consulting or other fees from our affiliated Chinese entities. In accordance with current PRC laws and regulations, our subsidiaries and affiliated Chinese 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 Chinese entities in China may stop allocations to its general reserve if such reserve has reached 50% of its registered capital. In addition, 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 forms of loans, advances, or cash dividends.

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Our board of directors has complete discretion as to whether we will distribute dividends in the future. 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, tax exposure 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 9, 2003. Our ADSs are traded under the symbol “CTRP.”

The following table provides the high and low trading prices for our ADSs on the Nasdaq Global Market for the periods presented and all prices have been retroactively adjusted to reflect the change in ratio effective on July 31, 2007 for all periods presented.

	Sales Price (US\$)	
	High	Low
2003 (from December 9, 2003)	10.77	6.00
2004	14.23	5.66
2005	16.68	9.04
2006	32.66	13.91
First Quarter	21.15	13.91
Second Quarter	26.66	20.72
Third Quarter	28.25	21.20
Fourth Quarter	32.66	22.45
2007	63.24	27.53
First Quarter	37.34	27.53
Second Quarter	41.05	33.27
Third Quarter	52.89	35.91
Fourth Quarter	63.24	45.56
<b>Monthly Highs and Lows</b>		
October 2007	57.33	45.56
November 2007	62.87	51.71
December 2007	63.24	54.49
January 2008	58.90	40.04
February 2008	63.00	45.13
March 2008	59.55	48.66
April 2008 (through April 28, 2008)	62.42	51.35

### *B. Plan of Distribution*

Not applicable.

### *C. Markets*

Our ADSs, have been listed on the Nasdaq Global Market since December 9, 2003 under the symbol “CTRP.”

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### 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*

#### *Memorandum of Association and Articles of Association*

We incorporate by reference into this annual report the description of our amended and restated memorandum of association contained in our F-1 Registration Statement (File No. 333-110455) originally filed with the Commission on November 13, 2003, as amended. The amended and restated memorandum and articles of association was adopted by our shareholders at an extraordinary shareholder meeting on December 8, 2003, and was amended at our annual general meeting of shareholders held in Shanghai on October 17, 2006. The amendment to our amended and restated memorandum and articles of association, relating to our board composition, was contained in Exhibit 99.2 to our current report on Form 6-K filed with the Commission on October 17, 2006.

#### *Shareholder Rights Plan*

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

The Rights will expire on November 23, 2017, subject to our right to extend such date and are exercisable upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the voting securities of our company, or (ii) 10 business days following the commencement or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 20% or more of the voting securities of our company. Upon exercise, all Rights holders except 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.



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### *C. Material Contracts*

We have not entered into any material contracts other than in the ordinary course of business for the two years immediately preceding the date of this annual report and other than those described in Item 4, "Information on the Company," or elsewhere in this annual report on Form 20-F.

### *D. Exchange Controls*

China's government imposes control over the convertibility of RMB into foreign currencies. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in a greater fluctuation range between RMB and the U.S. dollar. From July 21, 2005 to April 28, 2008, the RMB cumulatively appreciated approximately 15.4% over the U.S. dollar. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar.

Pursuant to the Foreign Exchange Control Regulations issued by the State Council on January 29, 1996 and effective as of April 1, 1996 (and amended on January 14, 1997) and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations which came into effect on July 1, 1996 regarding foreign exchange control, or the Regulations, conversion of RMB into foreign exchange by foreign investment enterprises for current account items, including the distribution of dividends and profits to foreign investors of joint ventures, is permissible. Foreign investment enterprises are permitted to remit foreign exchange from their foreign exchange bank account in China on the basis of, inter alia, the terms of the relevant joint venture contracts and the board resolutions declaring the distribution of the dividend and payment of profits. Conversion of RMB into foreign currencies and remittance of foreign currencies for capital account items, including direct investment, loans, security investment, is still subject to the approval of SAFE, in each such transaction. On January 14, 1997, the State Council amended the Foreign Exchange Control Regulations and added, among other things, an important provision, as Article 5 provides that the State shall not impose restrictions on recurring international payments and transfers.

Under the Regulations, foreign investment enterprises are required to open and maintain separate foreign exchange accounts for capital account items (but not for other items). In addition, foreign investment enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business upon the production of valid commercial documents and, in the case of capital account item transactions, document approval from SAFE.

Currently, foreign investment enterprises are required to apply to SAFE for "foreign exchange registration certificates for foreign investment enterprises." With such foreign exchange registration certificates (which are granted to foreign investment enterprises, upon fulfilling specified conditions and which are subject to review and renewal by SAFE on an annual basis) or with the foreign exchange sales notices from the SAFE (which are obtained on a transaction-by-transaction basis), foreign-invested enterprises may enter into foreign exchange transactions at banks authorized to conduct foreign exchange business to obtain foreign exchange for their needs.

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### *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.

#### **Cayman Islands Taxation**

In the opinion of our Cayman Islands counsel, Maples and Calder, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

#### **U.S. Federal Income Taxation**

The following discussion describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the ADSs or ordinary shares. This summary applies only to investors that hold the ADSs or ordinary shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- broker dealers;
- traders that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction;
- holders that actually or constructively own 10% or more of our voting stock;
- persons holding ADSs or ordinary shares through partnerships or other pass-through entities; or
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as consideration.

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

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The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of ADSs or ordinary shares and you are, for U.S. federal income tax purposes,

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

If you are a partner in a partnership or other entity taxable as a partnership that holds ADSs or ordinary shares, your tax treatment generally will depend on your status and the activities of the partnership.

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 their 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 passive foreign investment company rules discussed below, the gross amount of all our distributions to you with respect to the ADSs or ordinary shares generally will be included in your gross income as foreign source 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 U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders (including individual U.S. Holders), for taxable years beginning before January 1, 2011, dividends may be taxed at the lower applicable capital gains rate, and thus may constitute “qualified dividend income” provided that (1) the ADSs or ordinary shares are readily tradable on an established securities market in the United States; (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. For this purpose, ADSs listed on Nasdaq will be considered to be readily tradable on an established securities market in the United States. You should consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or ordinary shares.

To the extent that the amount of a distribution exceeds our current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and thereafter as capital gain. However, we do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend.

For foreign tax credit limitation purposes, dividends distributed by us with respect to the ADSs or ordinary shares will generally constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.” The rules relating to the determination of the U.S. foreign tax credit limitation are complex and U.S. Holders should consult their tax advisors to determine the effect of these rules in their particular circumstances.

*Taxation of Disposition of ADSs or Ordinary Shares*

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an ADS or ordinary share equal to the difference between the amount realized for the ADS or ordinary share and your tax basis in the ADS or ordinary share. Your tax basis in an ADS or ordinary share generally will equal to the cost of such ADS or ordinary share. The gain or loss generally will 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 will be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes.

*Passive Foreign Investment Company*

A non-U.S. corporation is considered to be a passive foreign investment company, or PFIC, for any taxable year if, applying certain look-through rules, 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 a taxable year) is attributable to assets that produce or are held for the production of passive income.

Based on the market value of our ADSs, the composition of our assets and income and our operations, we believe that we were not a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2007.

We are 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, more than 25% (by value) of the stock.

We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the total value of our assets for purposes of the asset test generally will be calculated using the market price of our ADSs and ordinary shares, our PFIC status will depend in large part on the market price of our ADSs and ordinary shares. Accordingly, fluctuation in the market price of our ADSs or ordinary shares may result in us becoming a PFIC in future taxable years. If we are a PFIC for any year during which you hold ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which you own ADSs or ordinary shares. However, if we cease to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ADSs or ordinary shares, as applicable.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, 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 year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If we are a PFIC for any year during which you hold ADSs or ordinary shares, we generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold ADSs or ordinary shares. We do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

***Information Reporting and Backup Withholding***

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

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

***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 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 no later than six months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the SEC's public reference room located at Room 1580, 100F Street, NE, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short- swing profit recovery provisions contained in Section 16 of the Exchange Act.

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

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

***I. Subsidiary Information***

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

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

*Interest Rate Risk.* Our exposure to interest rate risk for changes in interest rates relates primarily to the interest income generated by excess cash deposited in banks. We have not used any derivative financial instruments to hedge interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. Based on our cash balance as of December 31, 2007, one basis point decrease in interest rates would result in approximately RMB190,000 decrease in our interest income on an annual basis. Our future interest income may fluctuate in line with changes in interest rates. However, the risk associated with fluctuating interest rates is principally confined to our interest-bearing cash deposits, and, therefore, our exposure to interest rate risk is limited.

*Foreign Exchange Risk.* We are exposed to foreign exchange risk arising from various currency exposures. Some of our expenses are denominated in foreign currencies while almost all of our revenue is 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. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk. See “Risk Factors—Risks Related to Doing Business in China—Future movements in exchange rates between the U.S. dollar and RMB may adversely affect the value of our ADSs.”

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

**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."

**ITEM 15. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

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

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company's 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 accounting principles generally accepted in the United States of America. 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, 2007 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company, our independent registered public accounting firm, audited the effectiveness of our company's internal control over financial reporting as of December 31, 2007, 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.

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### 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 [www.ctrip.com](http://www.ctrip.com) website. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

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

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

	For the Year Ended December 31,		
	2006	2007	2007
	RMB	RMB	US\$
Audit fees <sup>(1)</sup>	8,138,642	6,339,639	869,087
All other fees <sup>(2)</sup>	495,776	1,298,396	177,994

- (1) “Audit fees” means the aggregate fees for professional services rendered by our principal auditors for the interim review of quarterly financial statements and the audit of our annual financial statements in 2006 and 2007.
- (2) “All other fees” means the aggregate fees for services rendered in connection with the Company’s filing of the Form F-3 in 2007 and services in connection with Section 404 of the Sarbanes-Oxley Act of 2002 in 2006.

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. In the third quarter of 2007, our audit committee has pre-approved professional service provided by the independent registered public accounting firm in an amount not to exceed US\$10,000. 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

We are in compliance with Rule 10A-3 under the Exchange Act and The Nasdaq Stock Market, Inc. Marketplace Rules with respect to the audit committee.

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

We do not have an equity securities repurchase program and did not repurchase any of our equity securities during the year ended December 31, 2007.



**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

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

**ITEM 18. FINANCIAL STATEMENTS**

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

**ITEM 19. EXHIBITS**

<u>Exhibit Number</u>	<u>Document</u>
1.1	Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 3.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003), as amended (amendment incorporated by reference to Exhibit 99.2 to our current report on Form 10-K filed with the Commission on October 17, 2006)
2.1	Specimen American Depositary Receipt of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 4.1 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
2.2	Specimen Stock Certificate of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
2.3	Rights Agreement dated as of November 23, 2007 between Ctrip.com International, Ltd. and The Bank of New York, as Rights Agent (incorporated by reference to Exhibit 4.1 from our Report of Foreign Private Issuer on Form 6-K filed with the Securities and Exchange Commission on November 23, 2007)
2.4*	Deposit Agreement dated as of December 8, 2003, as amended and restated as of August 11, 2006, and as further amended and restated as of December 3, 2007, among Ctrip.com International, Ltd., The Bank of New York as Depositary, and all Owners and Beneficial from time to time of American Depositary Receipts issued thereunder
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)

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<u>Exhibit Number</u>	<u>Document</u>
4.6	Employment Agreement, between the Registrant and Min Fan. (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.7	Translation of Form of Consulting and Services Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.8	Translation of Form of Business Loan Agreement between Ctrip.com (Hong Kong) Limited and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.9	Translation of Form of Exclusive Option Agreement among Ctrip.com (Hong Kong) Limited, an Affiliated Chinese Entity of the Registrant and the Shareholder of the Entity, as currently in effect. (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.10	Translation of Form of Share Pledge Agreement among Ctrip Computer Technology (Shanghai) Co., Ltd. and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.10 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.11	Translation of Form of Trademark License Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.11 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.12	Translation of Form of Software License Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.12 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.13	Translation of Form of Operating Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.13 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.14	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)
4.15	Translation of Form of Power of Attorney by a shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.15 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.16	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)
4.17	Form of Director Agreement between the Registrant and its director (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 11, 2004)

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<u>Exhibit Number</u>	<u>Document</u>
4.18	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 filed with the Securities and Exchange Commission on June 22, 2005)
4.19	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)
4.20	Ctrip.com International, Ltd. 2007 Share Incentive Plan (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form S-8 (file no. 333-146761) filed with the Securities and Exchange Commission on October 17, 2007)
4.21*	Translation of State Land Use Right Assignment Contract dated February 25, 2008 between Nantong Land Resource Bureau and Ctrip Information Technology (Nantong) Co., Ltd.
8.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 8.1 from our Registration Statement on Form F-3 (file no. 333-145161) filed with the Securities and Exchange Commission on August 6, 2007)
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 11, 2004)
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 Office
15.3*	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company

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

**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/ MIN FAN  
Name: Min Fan  
Title: **Chief Executive Officer**

Date: April 29, 2008

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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 shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Ctrip.com International, Ltd. and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 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, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Report of Management on Internal Control over Financial Reporting included in Item 15 of the accompanying Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2007 and 2006). 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.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

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

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

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company

April 29, 2008

**CTRIP.COM INTERNATIONAL, LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**

	2005 RMB	2006 RMB	2007 RMB	2007 US\$
<b>Revenues:</b>				
Hotel reservation	362,856,812	476,494,606	676,511,238	92,741,376
Air-ticketing	162,645,049	292,701,199	503,453,383	69,017,271
Packaged-tour	22,755,626	41,702,488	71,495,585	9,801,166
Others	10,915,639	23,128,346	35,818,022	4,910,210
<b>Total revenues</b>	<b>559,173,126</b>	<b>834,026,639</b>	<b>1,287,278,228</b>	<b>176,470,023</b>
Less: business tax and related surcharges	(34,989,970)	(54,075,096)	(88,167,081)	(12,086,623)
<b>Net revenues</b>	<b>524,183,156</b>	<b>779,951,543</b>	<b>1,199,111,147</b>	<b>164,383,400</b>
Cost of revenues	(88,627,315)	(153,131,864)	(236,226,063)	(32,383,690)
<b>Gross profit</b>	<b>435,555,841</b>	<b>626,819,679</b>	<b>962,885,084</b>	<b>131,999,710</b>
<b>Operating expenses:</b>				
Product development	(57,912,533)	(105,938,184)	(177,301,995)	(24,305,924)
Sales and marketing	(112,532,026)	(172,491,625)	(243,314,529)	(33,355,431)
General and administrative	(42,650,522)	(93,173,911)	(137,943,756)	(18,910,394)
<b>Total operating expenses</b>	<b>(213,095,081)</b>	<b>(371,603,720)</b>	<b>(558,560,280)</b>	<b>(76,571,749)</b>
<b>Income from operations</b>	<b>222,460,760</b>	<b>255,215,959</b>	<b>404,324,804</b>	<b>55,427,961</b>
Interest income	12,660,661	15,632,481	16,703,553	2,289,852
Other income	19,970,593	11,213,801	35,297,223	4,838,815
Income before income tax expense and minority interests	255,092,014	282,062,241	456,325,580	62,556,628
Income tax expense	(30,577,400)	(41,277,020)	(58,005,983)	(7,951,907)
Minority interests	(268,790)	(221,374)	4,013	550
<b>Net income</b>	<b>224,245,824</b>	<b>240,563,847</b>	<b>398,323,610</b>	<b>54,605,271</b>
<b>Other comprehensive income:</b>				
Foreign currency translation adjustments	(9,021,663)	(8,459,660)	(20,321,443)	(2,785,820)
<b>Comprehensive income</b>	<b>215,224,161</b>	<b>232,104,187</b>	<b>378,002,167</b>	<b>51,819,451</b>
<b>Earnings per ordinary share</b>				
—Basic	7.06	7.44	12.10	1.66
—Diluted	6.91	7.23	11.67	1.60
<b>Earnings per ADS</b>				
—Basic	3.53	3.72	6.05	0.83
—Diluted	3.46	3.62	5.84	0.80
<b>Weighted average ordinary shares outstanding</b>				
—Basic shares	31,762,419	32,342,998	32,927,454	32,927,454
—Diluted shares	32,441,131	33,268,220	34,121,390	34,121,390
<b>Share-based compensation included in Operating expense above is as follows:</b>				
Product development	(402,693)	(13,694,058)	(22,707,705)	(3,112,947)
Sales and marketing	(258,523)	(8,557,942)	(13,648,562)	(1,871,050)
General and administrative	(1,115,636)	(32,430,027)	(50,557,618)	(6,930,828)

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

**CTrip.COM INTERNATIONAL, LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2006 AND 2007**

	<u>2006</u>	<u>2007</u>	<u>2007</u>
	RMB	RMB	US\$
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	844,392,604	1,064,418,278	145,918,663
Restricted cash	6,600,000	6,600,000	904,779
Short-term investment	—	141,174,094	19,353,233
Accounts receivable, net	136,688,354	260,683,770	35,736,541
Due from related parties	939,000	2,138,947	293,223
Prepayments and other current assets	61,931,154	61,350,652	8,410,420
Deferred tax assets, current	2,916,151	11,275,767	1,545,769
<b>Total current assets</b>	<u>1,053,467,263</u>	<u>1,547,641,508</u>	<u>212,162,628</u>
Long-term deposits	80,174,984	147,092,990	20,164,641
Land use rights	66,449,208	65,083,814	8,922,191
Property, equipment and software	153,690,484	267,194,788	36,629,121
Investment	80,416,250	80,416,250	11,024,079
Goodwill	14,595,849	14,595,849	2,000,912
Intangible assets	3,058,465	2,918,809	400,133
<b>Total assets</b>	<u>1,451,852,503</u>	<u>2,124,944,008</u>	<u>291,303,705</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	151,408,198	230,904,562	31,654,177
Due to related parties	407,128	249,910	34,260
Salary and welfare payable	32,778,110	65,497,142	8,978,853
Taxes payable	34,913,392	49,079,149	6,728,148
Advances from customers	38,178,866	96,672,341	13,252,590
Accrued liability for customer reward program	29,566,712	44,659,657	6,122,290
Dividend payable	72,169,155	119,497,083	16,381,582
Other payables and accruals	61,623,712	65,481,300	8,976,681
Total current liabilities	<u>421,045,273</u>	<u>672,041,144</u>	<u>92,128,581</u>
<b>Other long-term payables</b>	<u>2,437,500</u>	<u>1,625,000</u>	<u>222,767</u>
<b>Total liabilities</b>	<u>423,482,773</u>	<u>673,666,144</u>	<u>92,351,348</u>
<b>Minority interests</b>	<u>672,780</u>	<u>1,158,767</u>	<u>158,853</u>
<b>Commitments and contingencies (note 15)</b>			
<b>Shareholders' equity</b>			
Share capital (US\$0.01 par value; 100,000,000 shares authorized, 32,649,753 and 33,193,693 share issued and outstanding as of December 31, 2006 and 2007, respectively.)	2,700,889	2,742,210	375,923
Additional paid-in capital	627,461,168	791,336,910	108,482,564
Statutory reserves	53,787,911	60,869,845	8,344,507
Cumulative foreign currency translation adjustments	(16,099,263)	(36,420,706)	(4,992,831)
Retained earnings	359,846,245	631,590,838	86,583,341
<b>Total shareholders' equity</b>	<u>1,027,696,950</u>	<u>1,450,119,097</u>	<u>198,793,504</u>
<b>Total liabilities and shareholders' equity</b>	<u>1,451,852,503</u>	<u>2,124,944,008</u>	<u>291,303,705</u>

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



**CTRIP.COM INTERNATIONAL, LTD.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**

	Ordinary shares (US\$0.01 par value)		Additional paid-in capital	Statutory reserves	Deferred share-based compensation	Cumulative foreign currency translation adjustments	Retained earnings	Total shareholders' equity
	Number of shares	Par Value						
		RMB						
Balance as of December 31, 2004	31,565,040	2,613,542	511,367,287	19,256,862	(2,258,908)	1,382,060	69,010,525	601,371,368
Exercise of share option	472,569	38,600	13,578,370	—	—	—	—	13,616,970
Deferred share-based compensation	—	—	(16,801)	—	1,793,653	—	—	1,776,852
Appropriations to statutory reserves	—	—	—	22,512,619	—	—	(22,512,619)	—
Dividends	—	—	—	—	—	—	(67,273,747)	(67,273,747)
Foreign currency translation adjustments	—	—	—	—	—	(9,021,663)	—	(9,021,663)
Net income	—	—	—	—	—	—	224,245,824	224,245,824
Balance as of December 31, 2005	<u>32,037,609</u>	<u>2,652,142</u>	<u>524,928,856</u>	<u>41,769,481</u>	<u>(465,255)</u>	<u>(7,639,603)</u>	<u>203,469,983</u>	<u>764,715,604</u>
Exercise of share option	612,144	48,747	48,315,540	—	—	—	—	48,364,287
Adoption of SFAS No. 123R	—	—	(465,255)	—	465,255	—	—	—
Share-based compensation	—	—	54,682,027	—	—	—	—	54,682,027
Appropriations to statutory reserves	—	—	—	12,018,430	—	—	(12,018,430)	—
Dividends	—	—	—	—	—	—	(72,169,155)	(72,169,155)
Foreign currency translation adjustments	—	—	—	—	—	(8,459,660)	—	(8,459,660)
Net income	—	—	—	—	—	—	240,563,847	240,563,847
Balance as of December 31, 2006	<u>32,649,753</u>	<u>2,700,889</u>	<u>627,461,168</u>	<u>53,787,911</u>	<u>—</u>	<u>(16,099,263)</u>	<u>359,846,245</u>	<u>1,027,696,950</u>
Exercise of share option	543,940	41,321	76,961,857	—	—	—	—	77,003,178
Share-based compensation	—	—	86,913,885	—	—	—	—	86,913,885
Appropriations to statutory reserves	—	—	—	7,081,934	—	—	(7,081,934)	—
Dividends	—	—	—	—	—	—	(119,497,083)	(119,497,083)
Foreign currency translation adjustments	—	—	—	—	—	(20,321,443)	—	(20,321,443)
Net income	—	—	—	—	—	—	398,323,610	398,323,610
Balance as of December 31, 2007	<u>33,193,693</u>	<u>2,742,210</u>	<u>791,336,910</u>	<u>60,869,845</u>	<u>—</u>	<u>(36,420,706)</u>	<u>631,590,838</u>	<u>1,450,119,097</u>

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

**CTRIP.COM INTERNATIONAL, LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**

	2005	2006	2007	2007
	RMB	RMB	RMB	US\$
<b>Cash flows from operating activities:</b>				
Net income	224,245,824	240,563,847	398,323,610	54,605,271
Adjustments to reconcile net income to cash provided by operating activities:				
Share-based compensation	1,776,852	54,682,027	86,913,885	11,914,825
Provision for doubtful accounts	—	141,462	3,643,214	499,440
Depreciation of property, equipment and software	8,413,707	12,254,080	24,773,735	3,396,175
Amortization of intangible assets and land use rights	419,303	1,960,182	1,505,050	206,324
Minority interests	268,790	221,374	(4,013)	(550)
Deferred tax benefits	(1,125,768)	(780,980)	(8,359,616)	(1,146,001)
Loss from disposal of property, equipment and software	95,717	680,494	1,164,610	159,654
Changes in current assets and liabilities:				
Increase in restricted cash	(6,600,000)	—	—	—
Increase in accounts receivable	(27,973,532)	(77,556,256)	(137,176,380)	(18,805,196)
Increase in due from related parties	(590,997)	(288,751)	(1,199,947)	(164,498)
Increase in prepayments and other current assets	(20,570,031)	(14,526,301)	(18,098,226)	(2,481,044)
Increase in long-term deposits	(27,569,254)	(25,890,183)	(66,918,006)	(9,173,636)
Increase in accounts payable	42,203,089	79,054,806	79,496,364	10,897,975
Increase (decrease) in due to related parties	289,043	(683,344)	(157,218)	(21,553)
Increase in salary and welfare payable	7,233,171	11,434,209	32,719,032	4,485,377
(Decrease) increase in taxes payable	(7,371,225)	18,863,360	14,165,757	1,941,951
Increase in advances from customers	21,646,104	10,861,282	58,493,475	8,018,736
Increase in accrued liability for customer reward program	9,314,090	9,790,519	15,092,945	2,069,057
Increase in other payables and accruals	7,259,120	27,110,163	1,202,469	164,844
Net cash provided by operating activities	<u>231,364,003</u>	<u>347,891,990</u>	<u>485,580,740</u>	<u>66,567,151</u>
<b>Cash flows from investing activities:</b>				
Purchase of property, equipment and software	(31,885,163)	(96,572,815)	(126,846,348)	(17,389,075)
Purchase of land use right	(41,430,515)	(26,839,219)	—	—
Cash paid for short-term investment	—	—	(141,174,094)	(19,353,233)
Cash paid for investment	—	(80,416,250)	—	—
Cash paid for minority interest in a VIE	—	(750,000)	(1,562,500)	(214,200)
Purchase of intangible assets	—	(2,395,071)	—	—
Decrease in long-term loans to related parties	500,000	—	—	—
Net cash used in investing activities	<u>(72,815,678)</u>	<u>(206,973,355)</u>	<u>(269,582,942)</u>	<u>(36,956,508)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from exercise of share option	9,597,760	40,143,700	88,045,825	12,070,000
Cash received from minority investors	—	—	490,000	67,173
Dividends paid	(39,937,887)	(67,273,747)	(72,169,155)	(9,893,504)
Net cash used in (provided by) financing activities	<u>(30,340,127)</u>	<u>(27,130,047)</u>	<u>16,366,670</u>	<u>2,243,669</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(9,021,663)	(4,457,882)	(12,338,794)	(1,691,496)
Net increase in cash and cash equivalents	119,186,535	109,330,706	220,025,674	30,162,816
Cash and cash equivalents, beginning of year	615,875,363	735,061,898	844,392,604	115,755,847
Cash and cash equivalents, end of year	<u>735,061,898</u>	<u>844,392,604</u>	<u>1,064,418,278</u>	<u>145,918,663</u>
<b>Supplemental disclosure of cash flow information</b>				
Cash paid during the year for income taxes	26,754,036	33,822,731	52,918,146	7,254,427
<b>Supplemental schedule of non-cash investing and financing activities</b>				
Accruals related to land use right	(25,000,000)	—	—	—
Accruals related to purchase of property, equipment and software	—	(17,470,657)	(26,301,297)	(3,605,585)
Liabilities incurred for minority interest in a VIE	—	(4,750,000)	—	—

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

**CTRIP.COM INTERNATIONAL, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts expressed in RMB unless otherwise stated)**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

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

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

**2. PRINCIPAL ACCOUNTING POLICIES**

***Basis of presentation***

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

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

***Consolidation***

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

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

The Company adopts Financial Accounting Standards Board (“FASB”) Interpretation No. 46—“*Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*”, as amended, (“FIN 46R”). FIN 46R requires certain VIEs to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Accordingly, the financial statements of the following VIEs are consolidated into the Company’s financial statements since July 1, 2003 or their respective date of establishment/acquisition, whichever is later:

<u>Name of VIE</u>	<u>Date of establishment/acquisition</u>
Beijing Ctrip International Travel Agency Co., Ltd. (“Beijing Ctrip”)	Acquired on January 15, 2002
Shanghai Ctrip Commerce Co., Ltd. (“Shanghai Ctrip Commerce”)	Established on July 18, 2000
Shanghai Huacheng Southwest Travel Agency Co., Ltd. (“Shanghai Huacheng”)	Established on March 13, 2001

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<u>Name of VIE</u>	<u>Date of establishment/acquisition</u>
Guangzhou Ctrip International Travel Agency Co., Ltd. (“Guangzhou Ctrip” formerly Guangzhou Ctrip Travel Agency Co., Ltd.)	Established on April 28, 2003
Shanghai Ctrip Charming International Travel Agency Co., Ltd. (“Shanghai Ctrip Charming”)	Acquired on September 23, 2003
Shenzhen Ctrip Travel Agency Co., Ltd. (“Shenzhen Ctrip”)	Established on April 13, 2004
Nantong Tongcheng Information Technology Co., Ltd. (“Nantong Tongcheng”)	Established on April 16, 2007

The Company has voting control over the above VIEs based on the irrevocable powers of attorney and other related agreements between the Company and the principal shareholders of the VIEs, which consist of a director and three senior executives and a family member of a senior executive of the Company. Such director, officers and a family member of a senior executive collectively own a 100% equity interest in all of the VIEs except for Shanghai Huacheng and Shanghai Ctrip Charming which are 1.67% and 1.8% owned by third parties, respectively.

### ***Variable interest entities***

As of December 31, 2007, the Company conducts a part of its operations through a series of agreements with certain VIEs as stated in above. These VIEs are used solely to facilitate the Group’s participation in Internet content provision, advertising business, travel agency and air-ticketing services in the 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. A director and a senior executive of the Company collectively hold 100% of the equity interest in Shanghai Ctrip Commerce. The registered capital of Shanghai Ctrip Commerce as of December 31, 2007 was RMB10,000,000.

Shanghai Huacheng is a domestic company incorporated in Shanghai, the PRC. Shanghai Huacheng holds a domestic travel agency license and an air transport sales agency license and mainly provides domestic tour services and air-ticketing services. Shanghai Ctrip Commerce and a director of the Company collectively hold 98.33% of the equity interest in Shanghai Huacheng. The registered capital of Shanghai Huacheng as of December 31, 2007 was RMB3,000,000.

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 director of the Company and Shanghai Ctrip Commerce collectively hold 100% of the equity interest in Beijing Ctrip. The registered capital of Beijing Ctrip as of December 31, 2007 was RMB4,500,000.

Guangzhou Ctrip is a domestic company incorporated in Guangzhou, the PRC. Guangzhou Ctrip holds air transport sales agency license, domestic and inbound travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. Two senior executives of the Company collectively hold 100% of the equity interest in Guangzhou Ctrip. The registered capital of Guangzhou Ctrip as of December 31, 2007 was RMB3,000,000.

Shanghai Ctrip Charming is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip Charming holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. Two senior executives of the Company collectively control 98.2 % of the equity interest in Shanghai Ctrip Charming. The registered capital of Shanghai Ctrip Charming as of December 31, 2007 was RMB5,000,000.

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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 executives of the Company collectively hold 100% of the equity interest in Shenzhen Ctrip. The registered capital of Shenzhen Ctrip as of December 31, 2007 was RMB2,500,000.

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

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

As of December 31, 2007, the Company has various agreements with its consolidated VIEs, including loan agreements, exclusive technical consulting and services agreements, share pledge agreements, exclusive option agreements and other operating agreements.

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

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

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

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

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

### **Foreign currencies**

The Company's reporting currency is the Renminbi ("RMB"). The Company, and its subsidiaries and VIEs, with an exception of the subsidiaries Ctrip.com (Hong Kong) Limited and C-Travel International Limited ("C-Travel"), use RMB as their functional currency. The Company's functional currency is the currency of the primary economic environment in which it operates, which is RMB for most of the Company's subsidiaries and VIEs. The Company's subsidiaries Ctrip.com (Hong Kong) Limited and C-Travel operate primarily using the Hong Kong dollar ("HK\$") and United States dollars ("US\$"), respectively, and therefore, the HK\$ and US\$ have been determined to be the functional currency for the subsidiaries, respectively.

Transactions denominated in currencies other than functional currencies are translated at the exchange rates quoted by the People's Bank of China (the "PBOC") or The Hong Kong and Shanghai Banking Corporation Limited (the "HSBC") prevailing at the dates of the transaction for PRC and Hong Kong subsidiaries respectively.

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Gains and losses resulting from foreign currency transactions are included in the consolidated statements of income. Monetary assets and liabilities denominated in foreign currencies are translated using the applicable exchange rates quoted by the PBOC or HSBC at the balance sheet dates. All such exchange gains and losses are included in the statements of income. The exchange differences for the translation of group companies balances 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 = RMB7.2946, on December 31, 2007, representing the noon buying rate in the City of New York for cable transfers of RMB, as certified for customs purposes by the Federal Reserve Bank of New York. 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, 2007, or at any other rate.

### ***Stock Split***

On March 31, 2006, the Company announced a change in the ratio of its ADSs to ordinary shares from one ADS representing two ordinary shares to one ADS representing one ordinary share, effective on April 11, 2006. For Ctrip's ADS holders, this ratio change had the same effect as a two-for-one ADS split.

On July 12, 2007, the Company announced a change in the ratio of its ADSs to ordinary shares from one ADS representing one ordinary shares to two ADSs representing one ordinary share, effective on July 30, 2007. For Ctrip's ADS holders, this ratio change had the same effect as a two-for-one ADS split.

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

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

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

### ***Restricted cash***

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

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

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

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### **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	5 years
Furniture and fixtures	3-5 years
Software	5 years

Construction in progress is stated at cost. Construction in progress refers to costs associated with the new buildings 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.

### **Investment**

We apply the Accounting Principles Board (“APB”) No. 18, “The Equity Method of Accounting for Investments in Common Stock” (“APB No. 18”) in accounting for our investments. Under APB No. 18, equity method is used for investments in entities in which the company has the ability to exercise significant influence but does not own a majority equity interest or otherwise controls. Cost method is used for investments over which the company does not have the ability to exercise significant influence.

The Company applies Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Debt and Equity Securities.” (“SFAS No. 115”). SFAS No. 115 requires that debt and equity securities be classified into one of three categories and accounted for 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. 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 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.

### **Goodwill and other intangible assets**

Statement of Financial Accounting Standards No. 141,—“*Business Combination*” (“SFAS No. 141”) requires that all business combinations be accounted for under the purchase method and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. Statement of Financial Accounting Standards No. 142,—“*Goodwill and Other Intangible Assets*” (“SFAS No. 142”) requires that ratable amortization of goodwill be replaced with tests of the goodwill’s impairment performed at least annually and that identifiable intangible assets other than goodwill be amortized over their estimated useful lives.

Separately identifiable intangible assets that have determinable lives continued to be amortized, and consisted primarily of a cross-border travel agency license as of December 31, 2007. As required under SFAS No. 142, the Company amortizes intangible assets on a straight-line basis over their estimated useful lives, which is eight years.

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The Company has prospectively ceased the amortization of goodwill upon the adoption of SFAS No. 142. Other intangible assets that have indefinite useful life include a golf membership certificate and a domain name as of December 31, 2007. The Company evaluates the remaining useful life of an intangible asset that is not being amortized 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 goodwill and 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 goodwill and intangibles with indefinite lives annually for impairment. No impairment on goodwill and other intangible assets was recognized for the years ended December 31, 2005, 2006 and 2007 in accordance with SFAS No. 142.

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

The Group applies provisions of SFAS No. 144,—“*Accounting for the Impairment or Disposal of Long-Lived Assets*,” which addresses the financial accounting and reporting for the recognition and measurement of impairment losses for long-lived assets. In accordance with these standards, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group recognizes impairment of long-lived assets in the event that the carrying amount of such assets exceeds the fair value.

No impairment of long-lived assets was recognized for the years ended December 31, 2005, 2006 and 2007.

### ***Financial instruments***

Financial instruments of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investment, accounts receivable, due from related parties, accounts payable, due to related parties, advances from customers and other payables. As of December 31, 2006 and 2007, their carrying value approximated their fair value.

### ***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 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, 2006 and 2007, the Group’s accrued liability for its customer reward program amounted to RMB29,566,712 and RMB44,659,657, respectively, based on the estimated liabilities under the customer reward program.

### ***Revenue recognition***

The Group conducts its principal businesses 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”) and Ctrip Information Technology (Nantong) Co., Ltd. (“Ctrip Information Technology”). Some of the operations of Ctrip Computer Technology and Ctrip Travel Network are conducted through a series of services and other agreements with the VIEs.

Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and the VIEs are subject to business tax and related surcharges on the services provided in the PRC. In the statements of income, business tax and related surcharges are deducted from revenues to arrive at net revenues.



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### *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 as the Group, generally, does not assume inventory risks and has no obligations for cancelled hotel reservations.

### *Air-ticketing services*

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

### *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 Charming, Beijing Ctrip, Guangzhou Ctrip and Shenzhen Ctrip 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.

### *Other businesses*

Other businesses comprise primarily of Internet-related advertising services, the sale of insurance, air-ticket delivery services and the sale of travel guidebooks and VIP membership cards.

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.

Revenues from the sale of travel guidebooks and VIP membership cards are recognized when the products are sold, provided that no significant obligations remained with the Group.

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

Accounts receivable are recorded at the invoiced amount and do not bear interest. We provide a general provision for doubtful accounts for the outstanding trade receivable balances based on historical experience and information available. Additionally, we make specific bad debt provisions based on (i) our specific assessment of the collectibility of all significant accounts; and (ii) any specific knowledge we have acquired that might indicate

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that an account is uncollectible. The facts and circumstances of each account may require us to use substantial judgment in assessing its collectibility. The following table summarized the details of the Company's allowance for doubtful accounts (in RMB):

	<u>2005</u> RMB	<u>2006</u> RMB	<u>2007</u> RMB
Balance at beginning of year	—	—	8,469
Provision for doubtful accounts	—	141,462	3,643,214
Write-offs	—	(132,993)	(649,569)
Balance at end of year	<u>—</u>	<u>8,469</u>	<u>3,002,114</u>

### **Cost of revenues**

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

### **Product development**

Product development expenses include expenses incurred by the Group to develop the Group's travel supplier networks as well as to maintain, monitor and manage the Group's transaction and service platform. The Group recognizes website and software development costs in accordance with Statement of Position ("SOP") No. 98-1—"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". As such, the Group expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites or the development of software 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 RMB16,750,270, RMB25,230,545 and RMB35,658,739 for the years ended December 31, 2005, 2006 and 2007, respectively, are charged to the statements of income when incurred.

### **Share-based compensation**

#### *Adoption of SFAS No. 123R, "Share-Based Payment" ("SFAS No. 123R")*

Effective January 1, 2006 the Company has adopted SFAS No. 123R, which replaced SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and superseded APB No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). The Company adopted SFAS No. 123R using the modified prospective approach and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. In accordance with SFAS No. 123R, all grants of stock options are recognized in the financial statements based on their grant date fair values. The valuation provisions of SFAS No. 123R apply to new awards, to awards granted to employees before the adoption of SFAS No. 123R whose related requisite services had not been provided, and to awards which were subsequently modified or cancelled. In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107 ("SAB No. 107") relating to SFAS No. 123R. The Company has applied the provisions of SAB No. 107 in its adoption of SFAS No. 123R.

SFAS No. 123R requires that the deferred share-based compensation on the consolidated balance sheet on the date of adoption be netted against additional paid-in capital. As of January 1, 2006, there was a balance of RMB465,255 of deferred share-based compensation that was netted against additional paid-in capital.

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SFAS No. 123R 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. Previously under APB No. 25 to the extent awards were forfeited prior to vesting, the corresponding previously recognized expense was reversed in the period of forfeiture. Upon the adoption of SFAS No. 123R, the Company recorded an amount to account for the expected forfeitures of share-based awards granted prior to January 1, 2006 for which the Company previously recorded as an expense. This amount was not material and was recorded as a reduction to share-based compensation expense in the year ended December 31, 2006.

Under SFAS No. 123R, 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, which the Company believes are representative of future behavior. Expected dividend yield is determined in view of the Company's historical dividend payout rate. 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, generally a three-year vesting 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.

For the year ended December 31, 2006, the Company recorded share-based compensation of RMB54,682,027. There were no capitalized share-based compensation costs during the year ended December 31, 2006. As a result of adopting SFAS No. 123R, the Company's income from operations and net income was lower by RMB54,216,772 for the year ended December 31, 2006, than if the Company had continued to account for share-based compensation under APB No. 25. The implementation of SFAS No. 123R reduced basic and diluted earnings per share by RMB1.68 and RMB1.63, respectively, for the year ended December 31, 2006. The adoption of SFAS No. 123R did not result in any impact on the cash flows from operating activities, investing activities and financing activities.

Prior to adoption of SFAS No. 123R, the Company accounted for share-based compensation under APB No. 25 and used the intrinsic value method supplemented by pro forma disclosures in accordance with APB No. 25 and SFAS No. 123.

### *Share option plans*

On April 15, 2003, the Company adopted a 2003 share option plan that provides for the issuance of up to 1,187,510 ordinary shares ("2003 Option Plan"). Under this share option plan, the directors may, at their discretion, grant any employees, officers and directors of the Company and/or its subsidiaries to take up share options to subscribe for shares. These share options are vested over a period of 3 years and can be exercised within 5 years from the date of grant. As of December 31, 2007, 93,076 options were outstanding under the 2003 Option Plan.

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, 2007, 2,321,673 options were outstanding under the 2005 Option Plan.

On October 17, 2007, the Company adopted a 2007 Share Incentive Plan ("2007 Incentive Plan"), which was approved by the shareholders of the Company on June 15, 2007. Under the 2007 Incentive Plan, the maximum aggregate number of shares, which may be issued pursuant to all share-based awards (including Incentive Share Options), 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

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2016. Under the 2007 Incentive Plan, the directors may, at their discretion, grant any employees, officers and directors 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 and can be exercised within 5 years from the date of grant. As of December 31, 2007, no options were granted under the 2007 Incentive Plan.

### *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):

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2005	1,128,077	4.8666		
Granted	1,813,580	22.3577		
Exercised	(472,569)	3.5551		
Forfeited	(66,924)	17.3684		
Outstanding at December 31, 2005	<u>2,402,164</u>	<u>17.9795</u>		
Granted	220,300	41.0321		
Exercised	(612,144)	9.9778		
Forfeited	(50,370)	27.4659		
Outstanding at December 31, 2006	<u>1,959,950</u>	<u>22.8259</u>		
Granted	1,054,900	60.2973		
Exercised	(543,940)	18.6542		
Forfeited	(56,161)	43.3669		
Outstanding at December 31, 2007	<u>2,414,749</u>	<u>39.6576</u>	3.2428	181,788,203
Vested and expect to vest at December 31, 2007	<u>2,278,252</u>	<u>39.2330</u>	3.2226	172,479,658
Exercisable at December 31, 2007	<u>708,531</u>	<u>22.5920</u>	2.4345	65,431,389

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

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

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the closing stock price of the Company's closing stock price of US\$114.94 as of December 31, 2007 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, 2007.

The total intrinsic value of options exercised during the year ended December 31, 2005, 2006 and 2007 were US\$10 million, US\$24 million and US\$33 million, respectively.

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The following table summarized information related to outstanding and exercisable options as of December 31, 2007 (in US\$, except shares):

Range of Exercise Prices	Outstanding			Exercisable		
	Number of shares	Weighted-Average Exercise Price	Weighted-average Remaining Contractual Life (Years)	Number of shares	Weighted-Average Exercise Price	Weighted-average Remaining Contractual Life (Years)
\$0-\$4.99	15,965	2.1100	0.2889	15,965	2.1100	0.2889
\$5.00-\$7.49	19,296	6.5235	0.8295	19,296	6.5235	0.8295
\$7.50-\$9.99	5,782	7.6500	0.8694	5,782	7.6500	0.8694
\$10.00-\$16.99	52,033	12.8671	1.4369	52,033	12.8671	1.4369
\$17.00-\$22.99	558,417	19.6346	2.1173	256,373	19.6663	2.1196
\$23.00-\$34.99	592,239	26.4494	2.9482	322,099	26.2969	2.9419
\$35.00-\$44.99	138,317	43.8500	3.6111	36,983	43.8500	3.6111
\$45.00-\$58.99	930,900	58.3900	4.1167	—	—	—
\$59.00-\$77.99	101,800	77.0200	4.6167	—	—	—
	<u>2,414,749</u>			<u>708,531</u>		

The weighted average fair value of options granted during the years ended December 31, 2005, 2006 and 2007 was US\$10.5409, US\$12.9369, and US\$18.2969 per share, respectively.

As of December 31, 2007, there was US\$17 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options which is expected to be recognized over a weighted average period of 1.8 year. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. For the year ended December 31, 2007, total cash received from the exercise of share options amounted to RMB88,045,825 (US\$12 million).

The Company calculated the estimated fair value of share options on the date of grant using the Black-Scholes pricing model with the following assumptions for the year ended 2005, 2006 and 2007:

	2005	2006	2007
Risk-free interest rate	3.65%-4.44%	4.66% -4.93%	4.49% -4.85%
Expected life (years)	4	2.5	2.5
Expected dividend yield	0.66%	0.89%	0.45%
Volatility	55% - 64%	45% - 54%	39% - 44%
Fair value of options at grant date per share	from US\$8.7288 to US\$11.7557	from US\$10.8156 to US\$13.5044	from US\$17.9183 to US\$21.6161

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### *Pro Forma Information under SFAS No. 123 for Prior Periods*

Prior to year 2006, the Company followed the disclosure-only provision of SFAS No. 123. If the compensation cost for the Company's share-based compensation plan had been determined based on the estimated fair value at the grant dates for the share option awards as prescribed by SFAS No. 123, using the Black-Scholes pricing model, the Company's net income attributable to ordinary shareholders and earnings per share would have resulted in the pro forma amounts disclosed below:

	<u>2005</u>
	<u>RMB</u>
Net income as reported	224,245,824
Add: Compensation expense under APB No. 25	1,776,852
Less: Compensation expense under SFAS No. 123	<u>(33,429,286)</u>
Pro forma net income	<u>192,593,390</u>
Basic earnings per share	
—As reported	<u>7.06</u>
—Pro forma	<u>6.06</u>
Diluted earnings per share	
—As reported	<u>6.91</u>
—Pro forma	<u>5.94</u>

### **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 that includes the enactment date. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of, the deferred tax assets will not be realized.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement 109, "Accounting for Income Taxes", 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. This Interpretation 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.

The Company did not have any adjustment to the opening balance of retained earnings as of January 1, 2007 as a result of the implementation of FIN 48. As of December 31, 2007, 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 the year ended December 31, 2007, the Company did not have any interest and penalties associated with tax positions.

**Other income**

Other income primarily consists of financial subsidies. During the years ended December 31, 2005, 2006 and 2007, the Group received financial subsidies amounting to RMB17,917,051, RMB10,700,687 and RMB21,174,612, respectively, from local PRC government authority. Such amounts 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.

**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 and Ctrip Travel Network, 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, 2005, 2006 and 2007, appropriations to statutory reserves have been made of RMB22,512,619, RMB12,018,430 and RMB7,081,934, respectively.

**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. Because substantial part 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.

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, 2005, 2006 and 2007 were RMB285 million, RMB552 million and RMB696 million, respectively. The Company's PRC subsidiaries and VIEs are able to enter into royalty and trademark license agreements or certain other contractual arrangements at the discretion of the Company without third party consent, for which the compensatory element of the arrangement is excluded from the accumulated profits.

On October 21, 2005, the Company announced that the shareholders have adopted a resolution to approve the Company's proposed distribution of 30% of its net income for 2005 (as determined in accordance with the US GAAP and reported in the audited consolidated financial statements for the year ended December 31, 2005) as dividends to shareholders of record as of June 30, 2006. The Board of Directors had also approved such proposed dividend distribution. The Company accrued RMB67,273,747 dividend payable for the year ended December 31, 2005. On July 14, 2006, the Company distributed the dividend to its shareholders of record as of June 30, 2006, at a dividend rate of RMB2.04 (US\$0.255) per ordinary share.

On October 17, 2006, the Company announced that the shareholders have adopted a resolution to approve the Company's proposed distribution of 30% of its net income for 2006 (as determined in accordance with the US GAAP and reported in the audited consolidated financial statements of the Company for the year ended December 31, 2006) to the shareholders of the Company as dividends, subject to determination of the record date

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by the Company's Board of Directors. The Board of Directors had also approved such proposed dividend distribution. The Company accrued dividend payable of RMB72,169,155 for the year ended December 31, 2006. On July 6, 2007, the Company distributed the dividends to its shareholders of record as of June 29, 2007, at a dividend rate of RMB2.11(US\$0.277), per ordinary share.

On June 15, 2007, the Company announced that the shareholders have adopted a resolution to approve the Company's proposed distribution of 30% of its net income for 2007 (as determined in accordance with the US GAAP and reported in the audited consolidated financial statements of the Company for the year ended December 31, 2007) to the shareholders of the Company as dividends, subject to determination of the record date by the Company's Board of Directors. The Board of Directors had also approved such proposed dividend distribution. The Company accrued dividend payable of RMB119,497,083 (US\$16,381,582) for the year ended December 31, 2007.

### **Earnings per share**

In accordance with SFAS No. 128, "*Computation of Earnings Per Share*" ("SFAS No. 128"), 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).

### **Segment reporting**

The Company operates and manages its business as a single segment. In accordance with SFAS No. 131, "*Disclosures about Segment of an Enterprise and Related Information*" ("SFAS No. 131"), 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 SFAS No. 131 can be found in the Consolidated Statements.

The Company primarily generates its revenues from customers in China. Accordingly, no geographical segments are presented.

### **Recent accounting pronouncements**

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS No. 157"), which clarifies the definition of fair value, establishes guidelines for measuring fair value, and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements and eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS No. 157 will be effective for the Company on January 1, 2008. The Company is currently evaluating the impact of adopting SFAS No. 157 on its financial position, cash flows, and results of operations.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*" ("SFAS No. 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 will be effective for the Company on January 1, 2008. The Company is currently evaluating the impact of adopting SFAS No. 159 on its financial position, cash flows, and results of operations.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51*" ("SFAS No. 160"), which clarifies the presentation of a noncontrolling



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interest in consolidated financial statements, establishes a single method of accounting for changes in a parent's ownership interest and expands disclosure requirements. SFAS No. 160 will be effective for the Company on January 1, 2009. The Company is currently evaluating the impact of adopting SFAS No. 160 on its financial position, cash flows, and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business combinations" ("SFAS No. 141R"), which replaces SFAS 141. SFAS No. 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R will be effective for the Company on January 1, 2009. The Company is currently evaluating the impact of adopting SFAS No. 141R on its financial position, cash flows, and results of operations.

In December 2007, the SEC published Staff Accounting Bulletin No. 110 ("SAB No. 110") which amends SAB No. 107 to allow for the continued use, under certain circumstances, of the "simplified" method in developing an estimate of the expected term of so-called "plain vanilla" stock options accounted for under FASB Statement No. 123R, "Share-Based Payment". The Company is currently evaluating the impact of adopting SAB No. 110 on its financial position, cash flows, and results of operations.

### ***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, due from related parties and prepayments and other current assets. As of December 31, 2005, 2006 and 2007, 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, 2005, 2006 and 2007. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2006 and 2007.

### ***Reclassifications***

Certain prior year amounts have been reclassified with no effect on net income or retained earnings to conform to the 2007 financial statement presentation.

## **3. PREPAYMENTS AND OTHER CURRENT ASSETS**

Components of prepayments and other current assets as of December 31, 2006 and 2007 were as follows:

	<u>2006</u>	<u>2007</u>
	<u>RMB</u>	<u>RMB</u>
Prepayments and deposits to vendors	35,928,972	46,016,315
Receivables from financial institution	15,345,427	9,368,713
Prepayments for acquisition of property, equipment and software	4,065,660	300,000
Interest receivable	2,293,605	2,722,534
Employee advances	549,294	1,306,161
Others	3,748,196	1,636,929
<b>Total</b>	<u><u>61,931,154</u></u>	<u><u>61,350,652</u></u>

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### 4. LONG-TERM DEPOSITS

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

Components of long-term deposit as of December 31, 2006 and 2007 were as follows:

	<u>2006</u>	<u>2007</u>
	RMB	RMB
Deposits paid to airline suppliers	69,987,550	136,681,643
Deposit paid to travel bureau	4,200,000	4,800,000
Others	5,987,434	5,611,347
Total	<u>80,174,984</u>	<u>147,092,990</u>

### 5. LAND USE RIGHTS

Land use rights are related to the payment to acquire land use rights of total cost RMB68,269,734 for approximately 17,000 square meters of land in Shanghai, on which the Group built the aforementioned new information and technology center. According to land use right policy in the PRC, the Company has a 50-year use right over the land, which is used as the basis for amortization. Amortization expense for the years ended December 31, 2006 and 2007 was RMB1,820,526 and RMB1,365,394, respectively. As of December 31, 2006 and 2007, the net book value was RMB66,449,208 and RMB65,083,814, respectively.

### 6. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software and its related accumulated depreciation and amortization as of December 31, 2006 and 2007 were as follows:

	<u>2006</u>	<u>2007</u>
	RMB	RMB
Building	7,702,800	147,832,241
Leasehold improvements	5,900,705	6,971,075
Website-related equipment	18,901,414	23,649,926
Computer equipment	42,473,879	102,528,527
Furniture and fixtures	23,751,502	26,934,863
Software	5,163,163	10,739,845
Construction in progress	82,082,977	471,000
Less: accumulated depreciation and amortization	<u>(32,285,956)</u>	<u>(51,932,689)</u>
Total net book value	<u>153,690,484</u>	<u>267,194,788</u>

In 2007, the Company finished the constructions of the new information and technology center in Shanghai. This new building now serves as our headquarters, 24-hour customer service center, production development center and administrative and support facilities. All direct costs of the new information and technology center in Shanghai were originally capitalized as construction in progress, and were reclassified to property and equipment, when the building was completed and available for use.

Depreciation expense for the years ended December 31, 2005, 2006 and 2007 was approximately RMB8,413,707, RMB12,254,080 and RMB24,773,735, respectively.

## 7. INVESTMENT

On March 12, 2006, our wholly-owned subsidiary C-Travel, a Cayman Island company, made a minority investment in ezTravel Co., Ltd. (“ezTravel”), an online travel service provider in Taiwan that offers packaged-tours as well as hotel and airline tickets reservation services. The Company accounted for the investment in ezTravel using the cost method of accounting as the Company did not exercise significant influence over ezTravel. Total amount paid for this acquisition was approximately US\$10 million in cash then, equivalent to approximately RMB80 million.

In 2007, shares of ezTravel were made available to public on Xyn Gui, the Taiwanese national stock exchange for pre-IPO companies. The Company applied SFAS 115 and the investment in ezTravel was classified as available for sale and stated at fair value. As of December 31, 2007, the cost approximated the fair market value of the shares of ezTravel.

## 8. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2006 and 2007 were as follows:

	<u>2006</u>	<u>2007</u>
	<u>RMB</u>	<u>RMB</u>
Balance at beginning of year	9,515,849	14,595,849
Acquisitions	5,080,000	—
Balance at ending of year	<u>14,595,849</u>	<u>14,595,849</u>

During the year of 2006, Ctrip Computer Technology entered an agreement with two minority shareholders of Shanghai Ctrip Charming, which resulted in the Company’s effective control of an additional 8.4% equity interests in Shanghai Ctrip Charming. As a result of this transaction, two senior executives of the Company collectively control 98.2% of the equity interest in Shanghai Ctrip Charming. Additionally, consistent with arrangements with other VIEs, Ctrip Computer Technology has exclusive option rights to purchase the 8.4% equity interest of Ctrip Charming upon the Chinese government lifting its substantial restrictions on foreign ownership of travel agency businesses.

Total purchase price for this transaction amounted to RMB5.5 million, of which RMB750,000 and RMB 1,562,500 was paid in July 2006 and January 2007 respectively. The remaining amount were recorded as liabilities, RMB1,562,500 in Other Payables and Accruals and RMB1,625,000 in Long-term Payables in the accompanying balance sheet, and is payable in various amounts through 2010.

Goodwill is not amortized but is reviewed annually for impairment according to SFAS No. 142. The Company performed goodwill impairment tests in year 2006 and 2007, and the results of these tests indicated that the Company’s goodwill assets were not impaired.

## 9. INTANGIBLE ASSETS

Intangible assets as of December 31, 2006 and 2007 were as follows:

	<u>2006</u> RMB	<u>2007</u> RMB
Intangible assets—		
Cross-border travel agency license	1,117,277	1,117,277
Golf membership certificate	2,000,000	2,000,000
Domain name	395,071	395,071
	<u>3,512,348</u>	<u>3,512,348</u>
Less: accumulated amortization—		
Cross-border travel agency license	(453,883)	(593,539)
Golf membership certificate	—	—
Domain name	—	—
	<u>(453,883)</u>	<u>(593,539)</u>
Net book value	<u>3,058,465</u>	<u>2,918,809</u>

Amortization expense for the years ended December 31, 2005, 2006 and 2007 was approximately RMB419,303, RMB139,656, and RMB 139,656, respectively.

The annual estimated amortization expense for the cross-border travel agency license for the following years is as follows:

	<u>Amortization</u> RMB
2008	139,656
2009	139,656
2010	139,656
2011	104,770
	<u>523,738</u>

## 10. 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 did not have assessable profits that were earned in or derived from Hong Kong during the years ended December 31, 2005, 2006 and 2007. Accordingly, no Hong Kong profit tax has been provided for.

### *China*

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

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In 2007, in accordance with old “Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises” and “China Enterprise Income Tax Law”, the applicable EIT rates are 30% plus a local income tax of 3%, except for Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Shenzhen Ctrip.

Ctrip Computer Technology was entitled to a 15% EIT rate in 2007 as it had been classified as a “High and New Technology Development Enterprise” by relevant PRC government authorities.

Ctrip Travel Information historically enjoyed a preferential income tax rate of 15% as it is registered in Pudong New District, Shanghai. During the fourth quarter of 2004, Ctrip Travel Information obtained approval from the relevant tax bureau for full exemption of income tax for 2004 and a 50% reduction of the income tax statutory rate for the period from 2005 to 2007 as it obtained the status of “software development company”.

Ctrip Travel Network obtained approval from relevant tax bureau, during the fourth quarter of 2007, for a 50% reduction of statutory and local income tax rate for the period from 2007 to 2009 as it obtained the status of “software development company”. Ctrip Travel Network’s qualification for the above preferential EIT rate is subject to annual re-assessment by the relevant government authorities.

Shenzhen Ctrip was entitled to a preferential tax rate of 15% as granted by the local tax bureau as it is registered in the city of Shenzhen in China in 2007.

In 2007, the National People’s Congress passed new PRC EIT Law and Detailed Implementation Rules of China EIT Law. The new tax laws take effect on January 1, 2008. The new tax 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. On April 14, 2008, the Ministry of Science and Technology and the Ministry of Finance and State Administration of Taxation jointly issued Guokefahuo [2008] No.127, “Administrative Measures for Assessment of High-New Tech Enterprises,” or Measures, and “Catalogue of High/New Tech Domains Strongly Supported by the State,” or 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 New Tech Enterprise under the new EIT Law. Currently, we are in the process of reviewing and assessing the implications of the Measures and the Catalogue on our subsidiaries and VIEs in China.

According to grandfathering law published by the State Department, there will be a five-year transition period during which enterprises are allowed to continue to enjoy their existing preferential tax treatments approved by the applicable tax laws and administrative regulations.

Pursuant to the New EIT 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 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. 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 subsidiary in Hong Kong. According to tax treaty between Mainland and Hong Kong Special Administrative Region, dividends payable by an FIE in China to the company in Hong Kong will be subject to 5% withholding tax. All of these foreign invested enterprises will be subject to the withholding tax for their earnings generated after January 1, 2008.

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### *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, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
	RMB	RMB	RMB
Current income tax expense	(31,703,168)	(42,058,000)	(66,365,599)
Deferred tax benefits	1,125,768	780,980	8,359,616
Income tax expense	<u>(30,577,400)</u>	<u>(41,277,020)</u>	<u>(58,005,983)</u>

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

A reconciliation between the statutory EIT rate and the Group's effective tax rate for the years ended December 31, 2005, 2006 and 2007 was as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Statutory EIT rate	33%	33%	33%
Tax differential from statutory rate applicable to Subsidiaries in the PRC	(21)%	(25)%	(25)%
Enacted EIT rate change	—	—	(1)%
Non-deductible expenses incurred	0%	7%	6%
Effective EIT rate	<u>12%</u>	<u>15%</u>	<u>13%</u>

### *Significant components of deferred tax assets*

	<u>2006</u>	<u>2007</u>
	RMB	RMB
Accrued liability for customer reward program and e-coupons	3,321,519	11,925,767
Deferred tax liabilities	(405,368)	(650,000)
Total deferred tax assets	<u>2,916,151</u>	<u>11,275,767</u>

We did not record any valuation allowances to reduce our deferred tax assets, as we believed that our deferred tax asset amounts were more likely than not to be realized based on our estimate of future taxable income.

## **11. EMPLOYEE BENEFITS**

The full-time employees of Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and the VIEs, which were established in the PRC, are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits. Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network 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 total provision accrued for such employee benefits amounted to RMB19,204,326, RMB41,332,075 and RMB67,048,322 for the years ended December 31, 2005, 2006 and 2007 respectively. The PRC government is responsible for the medical benefits and ultimate pension liability to these employees.

## 12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2005, 2006 and 2007 significant related party transactions were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
	RMB	RMB	RMB
Commissions from Home Inns & Hotel management Inc. and its affiliates (collectively, "Home Inns")	512,724	6,272,966	8,936,554
Commissions from Hanting Hotels Inc. and its affiliates (collectively, "Hanting")	287,734	1,427,512	5,569,353
Advertising expenses to Focus Media Holding Ltd.	2,131,501	1,543,900	—
Marketing expenses to Alibaba-Yahoo! China	718,874	800,000	—
Rental expense to a family member of a director	550,000	550,000	281,650

Our hotel supplier, Home Inns has two directors in common with our company. Another hotel supplier, Hanting has a director in common with our company and a director who is a family member of one of our officers. Home Inns and Hanting have entered into agreements with us, respectively, to provide hotel rooms for our customers. Commissions from Home Inns and Hanting for the years ended December 31, 2005, 2006 and 2007 are presented as above.

Two of our advertising suppliers, Focus Media Holding Ltd. and Alibaba -Yahoo! China had entered into agreements with us to provide certain advertising services for us. Focus Media Holding Ltd. has a director in common with our company. Alibaba -Yahoo! China is affiliated with a family member of one of our officers. Total advertising expenses to Focus Media Holding Ltd. and Alibaba -Yahoo! China for the years ended December 31, 2005, 2006 and 2007 are presented as above.

We lease approximately 1,223 square meters of our office premises in Shanghai from a company controlled by a family member of one of our directors. Rental expenses for the years ended December 31, 2005, 2006 and 2007 are presented as above.

As of December 31, 2006 and 2007, significant balances with related parties were as follows:

	<u>2006</u>	<u>2007</u>
	RMB	RMB
Due from related parties:		
Due from Home Inns	666,026	1,298,362
Due from Hanting	272,974	840,585
	<u>939,000</u>	<u>2,138,947</u>
Due to related parties:		
Due to Home Inns	18,000	—
Due to related parties of a VIE	389,128	249,910
	<u>407,128</u>	<u>249,910</u>

The amounts due from and due to related parties as of December 31, 2006 and 2007 primarily resulted from the transactions disclosed above and revenue received and expenses paid on behalf on each other. They are not collateralized, interest-free and have no fixed repayment terms.

### 13. OTHER PAYABLES AND ACCRUALS

Components of other payables and accruals as of December 31, 2006 and 2007 were as follows:

	<u>2006</u>	<u>2007</u>
	RMB	RMB
Accruals for property and equipment	17,470,657	26,301,297
Accrued operating expenses	14,571,411	22,423,539
Due to employees for stock option proceeds received on their behalf	20,795,861	5,506,208
Deposits received from suppliers and packaged-tour customers	1,862,824	4,883,206
Liability incurred for minority interest in a VIE	2,312,500	1,562,500
Others	4,610,459	4,804,550
<b>Total</b>	<u><u>61,623,712</u></u>	<u><u>65,481,300</u></u>

### 14. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share were calculated in accordance with SFAS No. 128 as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
	RMB	RMB	RMB
<b>Numerator:</b>			
Net income	224,245,824	240,563,847	398,323,610
<b>Denominator:</b>			
Denominator for basic earnings per ordinary share			
—weighted average ordinary shares outstanding	31,762,419	32,342,998	32,927,454
Dilutive effect of share options	678,712	925,222	1,193,936
Denominator for diluted earnings per ordinary share	<u>32,441,131</u>	<u>33,268,220</u>	<u>34,121,390</u>
Basic earnings per ordinary share	<u>7.06</u>	<u>7.44</u>	<u>12.10</u>
Diluted earnings per ordinary share	<u>6.91</u>	<u>7.23</u>	<u>11.67</u>
Basic earnings per ADS	<u>3.53</u>	<u>3.72</u>	<u>6.05</u>
Diluted earnings per ADS	<u>3.46</u>	<u>3.62</u>	<u>5.84</u>

### 15. COMMITMENTS AND CONTINGENCIES

#### Operating lease commitments

The Company has entered into leasing arrangements relating to office premises, equipment and others that are classified as operating leases for the periods from 2008 to 2010. Future minimum lease payments for non-cancelable operating leases are as follows:

	<u>Office</u>
	premises
	RMB
2008	16,396,342
2009	5,949,809
2010	1,963,089
	<u><u>24,309,240</u></u>

Rental expense amounted to RMB9,498,348, RMB16,813,230 and RMB24,771,180 for the years ended December 31, 2005, 2006 and 2007, respectively. Rental expense is charged to the statements of income when incurred.



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### *Purchase commitments*

As of December 31, 2007, the Company had outstanding purchase commitments totaling RMB7,245,868, which mainly relates to the design of Nantong call center.

### *Guarantee*

In connection with our air-ticketing business, the Company, on behalf of its VIEs, are required by the Civil Aviation Administration of China to provide guarantees for tickets obtained from various airlines. As of December 31, 2007, the amount under these guarantee arrangements was approximately RMB653 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 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.

## **16. SUBSEQUENT EVENTS**

To support the future business expansion, the Company acquired the land use right to a piece of land in Nantong, in January 2008. Nantong is a city in Jiangsu Province and is approximately 110 kilometers north of Shanghai. The Company plans to build its second call center on this piece of land.

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Document</u></b>
1.1	Amended and Restated Memorandum and Articles of Association of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 3.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003), as amended (amendment incorporated by reference to Exhibit 99.2 to our current report on Form 10-K filed with the Commission on October 17, 2006)
2.1	Specimen American Depositary Receipt of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 4.1 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
2.2	Specimen Stock Certificate of Ctrip.com International, Ltd. (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 25, 2003)
2.3	Rights Agreement dated as of November 23, 2007 between Ctrip.com International, Ltd. and The Bank of New York, as Rights Agent (incorporated by reference to Exhibit 4.1 from our Report of Foreign Private Issuer on Form 6-K filed with the Securities and Exchange Commission on November 23, 2007)
2.4*	Deposit Agreement dated as of December 8, 2003, as amended and restated as of August 11, 2006, and as further amended and restated as of December 3, 2007, among Ctrip.com International, Ltd., The Bank of New York as Depository, and all Owners and Beneficial from time to time of American Depositary Receipts issued thereunder
4.1	Form of Ctrip.com International, Ltd. Stock Option Plans (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (file no. 333-110455) and Exhibit 10.23 from our Registration Statement on Form F-2 (file no. 333- 121080) filed with the Securities and Exchange Commission on November 13, 2003 and December 8, 2004, respectively)
4.2	Form of Indemnification Agreement with the Registrant's directors and executive officers. (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.3	Translation of Form of Labor Contract for Employees of the Registrant's subsidiaries in China. (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.4	Employment Agreement between the Registrant and James Jianzhang Liang. (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.5	Employment and Confidentiality Agreement between the Registrant and Jane Jie Sun. (incorporated by reference to Exhibit 4.5 from our Annual Report on Form 20-F (file no. 000-50483) filed with the Securities and Exchange Commission on June 26, 2006)
4.6	Employment Agreement, between the Registrant and Min Fan. (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.7	Translation of Form of Consulting and Services Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)

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<u>Exhibit Number</u>	<u>Document</u>
4.8	Translation of Form of Business Loan Agreement between Ctrip.com (Hong Kong) Limited and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.9	Translation of Form of Exclusive Option Agreement among Ctrip.com (Hong Kong) Limited, an Affiliated Chinese Entity of the Registrant and the Shareholder of the Entity, as currently in effect. (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.10	Translation of Form of Share Pledge Agreement among Ctrip Computer Technology (Shanghai) Co., Ltd. and a Shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.10 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.11	Translation of Form of Trademark License Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.11 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.12	Translation of Form of Software License Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.12 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.13	Translation of Form of Operating Agreement between Ctrip Computer Technology (Shanghai) Co., Ltd. and an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.13 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.14	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)
4.15	Translation of Form of Power of Attorney by a shareholder of an Affiliated Chinese Entity of the Registrant, as currently in effect. (incorporated by reference to Exhibit 10.15 from our Registration Statement on Form F-1 (file no. 333-110455) filed with the Securities and Exchange Commission on November 13, 2003)
4.16	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)
4.17	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)
4.18	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 filed with the Securities and Exchange Commission on June 22, 2005)
4.19	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)

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<u>Exhibit Number</u>	<u>Document</u>
4.20	Ctrip.com International, Ltd. 2007 Share Incentive Plan (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form S-8 (file no. 333-146761) filed with the Securities and Exchange Commission on October 17, 2007)
4.21*	Translation of State Land Use Right Assignment Contract dated February 25, 2008 between Nantong Land Resource Bureau and Ctrip Information Technology (Nantong) Co., Ltd.
8.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 8.1 from our Registration Statement on Form F-3 (file no. 333-145161) filed with the Securities and Exchange Commission on August 6, 2007)
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 11, 2004)
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 Office
15.3*	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company

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

**CTRIP.COM INTERNATIONAL, LTD.**

**AND**

**THE BANK OF NEW YORK**

**as Depositary**

**AND**

**OWNERS AND BENEFICIAL OWNERS OF AMERICAN DEPOSITARY SHARES**

**Deposit Agreement**

**Dated as of December 8, 2003**

**Amended and Restated as of August 11, 2006**

**As further Amended and Restated as of December 3, 2007**

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**DEPOSIT AGREEMENT**

**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., incorporated under the laws of the Cayman Islands (herein called the Issuer), THE BANK OF NEW YORK, a New York banking corporation (herein called the Depositary), and all Owners and Beneficial Owners from time to time of American Depositary Shares issued hereunder.

WITNESSETH:

**WHEREAS**, Ctrip.com International, Ltd., The Bank of New York, as Depositary, and all Owners and Beneficial Owners from time to time of American Depositary Receipts issued thereunder entered into a deposit agreement dated as of December 8, 2003, as amended and restated as of August 11, 2006 (the "Ctrip.com International, Ltd. Deposit Agreement"); and

**WHEREAS**, the Issuer and the Depositary now wish to amend the Ctrip.com International, Ltd. Deposit Agreement to, among other things, provide for the creation of uncertificated American Depositary Shares; and

**WHEREAS**, the Issuer desires to provide, as hereinafter set forth in this Deposit Agreement, for the deposit of Shares (as hereinafter defined) of the Issuer from time to time with the Depositary or with the Custodian (as hereinafter defined) as agent of the Depositary for the purposes set forth in this amended and restated Deposit Agreement, for the creation of American Depositary Shares representing the Shares so deposited, in specified circumstances, and for the execution and delivery of American Depositary Receipts evidencing the American Depositary Shares;

**NOW, THEREFORE**, in consideration of the premises, it is agreed by and between the parties hereto as follows:

**ARTICLE 1. DEFINITIONS.**

The following definitions shall for all purposes, unless otherwise clearly indicated, apply to the respective terms used in this Deposit Agreement:

SECTION 1.1 American Depositary Shares.

The term “American Depositary Shares” shall mean the securities representing the interests in the Deposited Securities and evidenced Receipts or uncertificated securities issued hereunder. Each American Depositary Share shall represent the number of Shares specified in Exhibit A annexed hereto, until there shall occur a distribution upon Deposited Securities covered by Section 4.3 or a change in Deposited Securities covered by Section 4.8 with respect to which additional Receipts are not executed and delivered, and thereafter American Depositary Shares shall evidence the amount of Shares or Deposited Securities specified in such Sections.

SECTION 1.2 Article; Section.

Wherever references are made in this Deposit Agreement to an “Article” or “Articles” or to a “Section” or “Sections”, such references shall mean an article or articles or a section or sections of this Deposit Agreement, unless otherwise required by the context.

SECTION 1.3 Beneficial Owner.

The term “Beneficial Owner” shall mean each person owning from time to time any beneficial interest in the American Depositary Shares evidenced by any Receipt.

SECTION 1.4 Commission.

The term “Commission” shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.5 Consultation.

The term “Consultation” shall mean the good faith attempt by the Depository to discuss, if practicable, the relevant issue in a timely manner with a person reasonably believed by the Depository to be empowered by the Issuer to engage in such discussion on behalf of the Issuer.

SECTION 1.6 Custodian.

The term “Custodian” shall mean the Hong Kong office of The Hongkong and Shanghai Banking Corporation Limited, as agent of the Depository for the purposes of this Deposit Agreement, and any other firm or corporation which may hereafter be appointed by the Depository pursuant to the terms of Section 5.5, as substitute or additional custodian or custodians hereunder, as the context shall require and shall also mean all of them collectively.

SECTION 1.7 Delivery; Deposit; Surrender; Transfer; Withdraw.

The terms “deliver”, “deposit”, “surrender”, “transfer” or “withdraw”, when used (i) with respect to Shares: (a) in the case of book-entry Shares, shall refer to an entry or entries in an account or accounts maintained by institutions authorized under applicable law to effect transfers of securities, or (b) in the case of physical Share certificates, to the physical delivery, deposit, withdrawal or transfer of certificates representing the Shares and (ii) with respect to American Depositary Shares evidenced by Receipts, (a) in the case of American Depositary Shares available in book-entry form, shall refer to appropriate adjustments in the records maintained by (1) the Depository, (2) The Depository Trust Company or its nominee, or (3) institutions that have accounts with The Depository Trust Company, as applicable, or (b) otherwise, shall refer to the physical delivery, deposit, surrender, transfer or withdrawal of such American Depositary Shares evidenced by Receipts.



SECTION 1.8 Deposit Agreement.

The term "Deposit Agreement" shall mean this amended and restated Deposit Agreement, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.9 Depository; Corporate Trust Office.

The term "Depository" shall mean The Bank of New York, a New York banking corporation and any successor as depository hereunder. The term "Corporate Trust Office", when used with respect to the Depository, shall mean the office of the Depository which at the date of this Agreement is 101 Barclay Street, New York, New York, 10286.

SECTION 1.10 Deposited Securities.

The term "Deposited Securities" as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement and any and all other securities, property and cash received by the Depository or the Custodian in respect thereof and at such time held hereunder, subject as to cash to the provisions of Section 4.5.

SECTION 1.11 Dollars.

The term "Dollars" shall mean United States dollars.

SECTION 1.12 Foreign Registrar.

The term "Foreign Registrar" shall mean the entity that presently carries out the duties of registrar for the Shares or any successor as registrar for the Shares and any other appointed agent of the Issuer for the transfer and registration of Shares.

SECTION 1.13 Issuer.

The term “Issuer” shall mean Ctrip.com International, Ltd., incorporated under the laws of the Cayman Islands, and its successors.

SECTION 1.14 Owner.

The term “Owner” shall mean the person in whose name a Receipt is registered on the books of the Depositary maintained for such purpose.

SECTION 1.15 Receipts.

The term “Receipts” shall mean the American Depositary Receipts issued hereunder evidencing American Depositary Shares.

SECTION 1.16 Registrar.

The term “Registrar” shall mean any bank or trust company having an office in the Borough of Manhattan, The City of New York, which shall be appointed by the Depositary to register Receipts and transfers of Receipts as herein provided.

SECTION 1.17 Restricted Securities.

The term “Restricted Securities” shall mean Shares, or Receipts representing such Shares, which are acquired directly or indirectly from the Issuer or its affiliates (as defined in Rule 144 under the Securities Act) in a transaction or chain of transactions not involving any public offering or which are subject to resale limitations under Regulation D under that Act or both, or which are held by an officer, director (or persons performing similar functions) or other affiliate of the Issuer, or which would require registration under the Securities Act in connection with the offer and sale thereof in the United States, or which are subject to other restrictions on sale or deposit under the laws of the United States, the Cayman Islands or Hong Kong, or under a shareholder agreement or the Memorandum and Articles of Association of the Issuer.

SECTION 1.18 Securities Act.

The term "Securities Act" shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.19 Shares.

The term "Shares" shall mean ordinary shares in registered form of the Issuer, heretofore validly issued and outstanding and fully paid, nonassessable and free of any pre-emptive rights of the holders of outstanding Shares or hereafter validly issued and outstanding and fully paid, nonassessable and free of any pre-emptive rights of the holders of outstanding Shares or interim certificates representing such Shares.

**ARTICLE 2. FORM OF RECEIPTS, DEPOSIT OF SHARES, EXECUTION AND DELIVERY, TRANSFER AND SURRENDER OF RECEIPTS.**

SECTION 2.1 Form and Transferability of Receipts.

Definitive Receipts shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless such Receipt shall have been executed by the Depositary by the manual signature of a duly authorized signatory of the Depositary; provided, however, that such signature may be a facsimile if a Registrar for the Receipts shall have been appointed and such Receipts are countersigned by the manual or facsimile signature of a duly authorized officer of the Registrar. The Depositary shall maintain books on which each Receipt so executed and delivered as hereinafter provided and the transfer of each such Receipt shall be registered. Receipts bearing the manual or facsimile signature of a duly authorized signatory of the Depositary who was at any time a proper signatory of the Depositary shall bind the Depositary, notwithstanding that such signatory has ceased to hold such office prior to the execution and delivery of such Receipts by the Registrar or did not hold such office on the date of issuance of such Receipts.

The Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or required to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange upon which American Depositary Shares may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

Title to a Receipt (and to the American Depositary Shares evidenced thereby), when properly endorsed or accompanied by proper instruments of transfer, shall be transferable by delivery with the same effect as in the case of a negotiable instrument under the laws of New York; provided, however, that the Depositary, notwithstanding any notice to the contrary, may treat the Owner thereof as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes.

**SECTION 2.2 Deposit of Shares.**

Subject to the terms and conditions of this Deposit Agreement, Shares or evidence of rights to receive Shares may be deposited by delivery thereof to any Custodian hereunder, accompanied by any appropriate instrument or instruments of transfer, or endorsement, in form satisfactory to the Custodian, together with all such certifications as may be required by the Depositary or the Custodian in accordance with the provisions of this Deposit Agreement, and, if the Depositary requires, together with a written order directing the Depositary to execute and deliver to, or upon the written order of, the person or persons stated in such order, a Receipt or Receipts for the number of American Depositary Shares representing such deposit. No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in the Cayman Islands or Hong Kong which is then performing the function of the regulation of currency exchange. If required by the

Depository, Shares presented for deposit at any time, whether or not the transfer books of the Issuer or the Foreign Registrar, if applicable, are closed, shall also be accompanied by an agreement or assignment, or other instrument satisfactory to the Depository, which will provide for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property which any person in whose name the Shares are or have been recorded may thereafter receive upon or in respect of such deposited Shares, or in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depository.

At the request and risk and expense of any person proposing to deposit Shares, and for the account of such person, the Depository may receive certificates for Shares to be deposited, together with the other instruments herein specified, for the purpose of forwarding such Share certificates to the Custodian for deposit hereunder.

Upon each delivery to a Custodian of a certificate or certificates for Shares to be deposited hereunder, together with the other documents above specified, such Custodian shall, as soon as transfer and recordation can be accomplished, present such certificate or certificates to the Issuer or the Foreign Registrar, if applicable, for transfer and recordation of the Shares being deposited in the name of the Depository or its nominee or such Custodian or its nominee.

Deposited Securities shall be held by the Depository or by a Custodian for the account and to the order of the Depository or at such other place or places as the Depository shall determine.

SECTION 2.3 Execution and Delivery of Receipts.

Upon receipt by any Custodian of any deposit pursuant to Section 2.2 hereunder (and in addition, if the transfer books of the Issuer or the Foreign Registrar, if applicable, are open, the Depository may in its sole discretion require a proper acknowledgment

or other evidence from the Issuer that any Deposited Securities have been recorded upon the books of the Issuer or the Foreign Registrar, if applicable, in the name of the Depository or its nominee or such Custodian or its nominee), together with the other documents required as above specified, such Custodian shall notify the Depository of such deposit and the person or persons to whom or upon whose written order a Receipt or Receipts are deliverable in respect thereof and the number of American Depositary Shares to be evidenced thereby. Such notification shall be made by letter or, at the request, risk and expense of the person making the deposit, by cable, telex or facsimile transmission. Upon receiving such notice from such Custodian, or upon the receipt of Shares by the Depository, the Depository, subject to the terms and conditions of this Deposit Agreement, shall execute and deliver at its Corporate Trust Office, to or upon the order of the person or persons entitled thereto, a Receipt or Receipts, registered in the name or names and evidencing any authorized number of American Depositary Shares requested by such person or persons, but only upon payment to the Depository of the fees and expenses of the Depository for the execution and delivery of such Receipt or Receipts as provided in Section 5.9, and of all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Deposited Securities.

SECTION 2.4 Transfer of Receipts; Combination and Split-up of Receipts.

The Depository, subject to the terms and conditions of this Deposit Agreement, shall register transfers of Receipts on its transfer books from time to time, upon any surrender of a Receipt, by the Owner in person or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer, and duly stamped as may be required by the laws of the State of New York and of the United States of America. Thereupon the Depository shall execute a new Receipt or Receipts and deliver the same to or upon the order of the person entitled thereto.

The Depository, subject to the terms and conditions of this Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depository may appoint one or more co-transfer agents for the purpose of effecting transfers, combinations and split-ups of Receipts at designated transfer offices on behalf of the Depository. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Owners or persons entitled to Receipts and will be entitled to protection and indemnity to the same extent as the Depository. Each co-transfer agent appointed under this Section 2.4 shall give notice in writing to the Depository and the Issuer accepting such appointment and agreeing to abide by the applicable terms of this Deposit Agreement.

SECTION 2.5 Surrender of Receipts and Withdrawal of Shares.

Upon surrender at the Corporate Trust Office of the Depository of a Receipt for the purpose of withdrawal of the Deposited Securities represented by the American Depository Shares evidenced by such Receipt, and upon payment of the fee of the Depository for the surrender of Receipts as provided in Section 5.9 and payment of all taxes and governmental charges payable in connection with such surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of this Deposit Agreement, the Owner of such Receipt shall be entitled to delivery, to him or upon his order, of the amount of Deposited Securities at the time represented by the American Depository Shares evidenced by such Receipt. Delivery of such Deposited Securities may be made by the delivery of (a) Shares in the name of such Owner or as ordered by him or by certificates properly endorsed or accompanied by proper instruments of transfer to such Owner or as ordered by him and (b) any other securities, property and cash to which such Owner is then entitled in respect of such Receipts to such Owner or as ordered by him. Such delivery shall be made, as hereinafter provided, without unreasonable delay.

A Receipt surrendered for such purposes may be required by the Depositary to be properly endorsed in blank or accompanied by proper instruments of transfer in blank, and if the Depositary so requires, the Owner thereof shall execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be delivered to or upon the written order of a person or persons designated in such order. Thereupon the Depositary shall direct the Custodian to deliver at the office of such Custodian, subject to Sections 2.6, 3.1 and 3.2 and to the other terms and conditions of this Deposit Agreement, to or upon the written order of the person or persons designated in the order delivered to the Depositary as above provided, the amount of Deposited Securities represented by the American Depositary Shares evidenced by such Receipt, except that the Depositary may make delivery to such person or persons at the Corporate Trust Office of the Depositary of any dividends or distributions with respect to the Deposited Securities represented by the American Depositary Shares evidenced by such Receipt, or of any proceeds of sale of any dividends, distributions or rights, which may at the time be held by the Depositary.

At the request, risk and expense of any Owner so surrendering a Receipt, and for the account of such Owner, the Depositary shall direct the Custodian to forward any cash or other property (other than rights) comprising, and forward a certificate or certificates, if applicable, and other proper documents of title for, the Deposited Securities represented by the American Depositary Shares evidenced by such Receipt to the Depositary for delivery at the Corporate Trust Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Owner, by cable, telex or facsimile transmission.

SECTION 2.6 Limitations on Execution and Delivery, Transfer and Surrender of Receipts.

As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any Receipt or withdrawal of any Deposited Securities, the Depositary, Custodian or Registrar may require payment from the depositor of



Shares or the presenter of the Receipt of a sum sufficient to reimburse it for any tax, stamp duty or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as herein provided, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of this Deposit Agreement, including, without limitation, this Section 2.6.

The delivery of Receipts against deposits of Shares generally or against deposits of particular Shares may be suspended, or the transfer of Receipts in particular instances may be refused, or the registration of transfer of outstanding Receipts generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Issuer at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of this Deposit Agreement, or for any other reason, subject to the provisions of Section 7.7 hereof. Notwithstanding any other provision of this Deposit Agreement or the Receipts, the surrender of outstanding Receipts and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Issuer or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the Receipts or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such Shares.

SECTION 2.7 Lost Receipts, etc.

In case any Receipt shall be mutilated, destroyed, lost or stolen, the Depository shall execute and deliver a new Receipt of like tenor in exchange and substitution for such mutilated Receipt upon cancellation thereof, or in lieu of and in substitution for such destroyed, lost or stolen Receipt. Before the Depository shall execute and deliver a new Receipt in substitution for a destroyed, lost or stolen Receipt, the Owner thereof shall have (a) filed with the Depository (i) a request for such execution and delivery before the Depository has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond and (b) satisfied any other reasonable requirements imposed by the Depository.

SECTION 2.8 Cancellation and Destruction of Surrendered Receipts.

All Receipts surrendered to the Depository shall be cancelled by the Depository. The Depository is authorized to destroy Receipts so cancelled.

SECTION 2.9 Pre-Release of Receipts.

The Depository may issue Receipts against the delivery by the Issuer (or any agent of the Issuer recording Share ownership) of rights to receive Shares from the Issuer (or any such agent). No such issue of Receipts will be deemed a "Pre-Release" that is subject to the restrictions of the following paragraph.

Unless requested in writing by the Issuer to cease doing so, the Depository may, notwithstanding Section 2.3 hereof, execute and deliver Receipts prior to the receipt of Shares pursuant to Section 2.2 ("Pre-Release"). The Depository may, pursuant to Section 2.5, deliver Shares upon the receipt and cancellation of Receipts which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depository knows that such Receipt has been Pre-Released. The Depository may receive Receipts in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation and agreement from the person to whom Receipts are to be delivered (the "Pre-Releasee")

that the Pre-Releasee, or its customer, (i) owns the Shares or Receipts to be remitted, as the case may be, (ii) assigns all beneficial rights, title and interest in such Shares or Receipts, as the case may be, to the Depositary in its capacity as such and for the benefit of the Owners, and (iii) will not take any action with respect to such Shares or Receipts, as the case may be, that is inconsistent with the transfer of beneficial ownership (including, without the consent of the Depositary, disposing of such Shares or Receipts, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralized with cash, U.S. government securities or such other collateral as the Depositary determines, in good faith, will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of Shares not deposited but represented by American Depositary Shares outstanding at any time as a result of Pre-Releases will not normally exceed thirty percent (30%) of the Shares deposited hereunder; provided, however, that the Depositary reserves the right to disregard such limit from time to time as it deems reasonably appropriate, and may, with the prior written consent of the Issuer, change such limit for purposes of general application. The Depositary will also set Dollar limits with respect to Pre-Release transactions to be entered into hereunder with any particular Pre-Releasee on a case-by-case basis as the Depositary deems appropriate. For purposes of enabling the Depositary to fulfill its obligations to the Owners under the Deposit Agreement, the collateral referred to in clause (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations to the Depositary in connection with a Pre-Release transaction, including the Pre-Releasee's obligation to deliver Shares or Receipts upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Securities hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing.

SECTION 2.10 Uncertificated American Depositary Shares; DTC Direct Registration System.

Notwithstanding anything to the contrary in this Deposit Agreement:

(a) The form of Receipt annexed as Exhibit A to this Deposit Agreement summarizes the terms and conditions of, and will be the prospectus required under the Securities Act of 1933 for, both certificated and uncertificated American Depositary Shares. Except for those provisions of this Deposit Agreement that by their nature do not apply to uncertificated American Depositary Shares, all the provisions of this Deposit Agreement shall apply, mutatis mutandis, to both certificated and uncertificated American Depositary Shares.

(b)(i) The term “deliver”, or its noun form, when used with respect to American Depositary Shares, shall mean (A) book-entry transfer of American Depositary Shares to an account at The Depository Trust Company, or its successor (“DTC”), designated by the person entitled to such delivery, evidencing American Depositary Shares registered in the name requested by that person, (B) registration of American Depositary Shares not evidenced by a Receipt on the books of the Depository in the name requested by the person entitled to such delivery and mailing to that person of a statement confirming that registration or (C) if requested by the person entitled to such delivery, delivery at the Corporate Trust Office of the Depository to the person entitled to such delivery of one or more Receipts.

(ii) The term “surrender”, when used with respect to American Depositary Shares, shall mean (A) one or more book-entry transfers of American Depositary Shares to the DTC account of the Depository, (B) delivery to the Depository at its Corporate Trust Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (C) surrender to the Depository at its Corporate Trust Office of one or more Receipts evidencing American Depositary Shares.

(c) American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York.

(d) The Depositary shall have a duty to register a transfer, in the case of uncertificated American Depositary Shares, upon receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in subsection (f) below). The Depositary, upon surrender of a Receipt for the purpose of exchanging it for uncertificated American Depositary Shares, shall cancel that Receipt and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares that the surrendered Receipt evidenced. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in subsection (f) below) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging them for certificated American Depositary Shares, shall execute and deliver to the Owner a Receipt evidencing the same number of certificated American Depositary Shares.

(e) Upon satisfaction of the conditions for replacement of a Receipt that is mutilated, lost, destroyed or stolen, the Depositary shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form unless otherwise requested by the Owner.

(f)(i) The parties acknowledge that the Direct Registration System (“DRS”) and Profile Modification System (“Profile”) shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC and utilized by the Depositary whereby the Depositary may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depositary to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register such transfer.

(ii) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in subsection (i) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.3 and 5.8 shall apply to the matters arising from the use of the DRS. The parties agree that the Depository's reliance on and compliance with instructions received by the Depository through the DRS/Profile System and in accordance with this Deposit Agreement shall not constitute negligence or bad faith on the part of the Depository.

**ARTICLE 3. CERTAIN OBLIGATIONS OF OWNERS AND BENEFICIAL OWNERS OF RECEIPTS.**

**SECTION 3.1 Filing Proofs, Certificates and Other Information.**

Any person presenting Shares for deposit or any Owner or Beneficial Owner of a Receipt may be required from time to time to file with the Depository or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Issuer or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depository may deem necessary or proper. The Depository may withhold the delivery or registration of transfer of any Receipt or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made. If requested in writing, the Depository shall, as promptly as practicable, provide the Issuer, at the expense of the Issuer, with copies of any such proofs, certificates or other information it receives pursuant to this section, unless prohibited by applicable law.

SECTION 3.2 Liability of Owner for Taxes.

If any tax or other governmental charge shall become payable by the Custodian or the Depository with respect to any Receipt or any Deposited Securities represented by any Receipt, such tax or other governmental charge shall be payable by the Owner of such Receipt to the Depository. The Depository may refuse to effect any transfer of such Receipt or any withdrawal of Deposited Securities represented by American Depositary Shares evidenced by such Receipt until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner thereof any part or all of the Deposited Securities represented by the American Depositary Shares evidenced by such Receipt, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner of such Receipt shall remain liable for any deficiency.

SECTION 3.3 Warranties on Deposit of Shares.

Every person depositing Shares under this Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any pre-emptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit of such Shares and the sale of Receipts evidencing American Depositary Shares representing such Shares by that person would not be Restricted Securities. Such representations and warranties shall survive the deposit of Shares and issuance of Receipts.

SECTION 3.4 Disclosure of Interests.

Notwithstanding any other provision of this Deposit Agreement, each Owner and Beneficial Owner agrees to comply with requests from the Issuer pursuant to applicable law or the Memorandum and Articles of Association to provide information, inter alia, as to the capacity in which such Owner or Beneficial Owner owns American Depositary Shares (and Shares as the case may be) and regarding the identity of any other person(s) interested in such American Depositary Shares (and Shares, as the case may be) and the nature of such interest and various other matters, whether or not they are Owners or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the reasonable written request of the Issuer and at the expense of the Issuer, any such written request from the Issuer to the Owners and to forward, as promptly as practicable, to the Issuer any such responses to such requests received by the Depositary. If the Issuer requests information from the Depositary, the Custodian or the nominee of either, as the registered owner of the Shares, the obligations of the Depositary, Custodian or such nominee, as the case may be, shall be limited to disclosing to the Issuer the information contained in the register.

**ARTICLE 4. THE DEPOSITED SECURITIES.**

SECTION 4.1 Cash Distributions.

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities, the Depositary shall, subject to the provisions of Section 4.5, convert such dividend or distribution into Dollars and shall distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.9 hereof, if applicable) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively; provided, however, that in the event that the Issuer or the Depositary shall be required to withhold and does withhold from such cash dividend or such other cash distribution an amount on account of taxes, the amount distributed to the Owner of the Receipts evidencing American Depositary Shares representing such Deposited Securities shall be reduced accordingly. The



Depository shall distribute only such amount, however, as can be distributed without attributing to any Owner a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Owners entitled thereto. The Issuer or its agent will remit to the appropriate governmental agency in the Cayman Islands all amounts withheld and owing to such agency. The Depository will forward to the Issuer or its agent such information from its records as the Issuer may reasonably request to enable the Issuer or its agent to file necessary reports with governmental agencies, and the Depository or the Issuer or its agent may file any such reports necessary to obtain benefits under the applicable tax treaties for the Owners of Receipts.

SECTION 4.2 Distributions Other Than Cash, Shares or Rights.

Subject to the provisions of Section 4.11 and Section 5.9, whenever the Depository shall receive any distribution other than a distribution described in Sections 4.1, 4.3 4.4 or 4.5, the Depository shall cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depository or any taxes or other governmental charges, in proportion to the number of American Depository Shares representing such Deposited Securities held by them respectively, in any manner that the Depository may deem equitable and practicable for accomplishing such distribution; provided, however, that if in the opinion of the Depository such distribution cannot be made proportionately among the Owners entitled thereto, or if for any other reason (including, but not limited to, any requirement that the Issuer or the Depository withhold an amount on account of taxes or other governmental charges or that such securities must be registered under the Securities Act in order to be distributed to Owners or Beneficial Owners) the Depository deems such distribution not to be feasible, the Depository may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the Depository as provided in Section 5.9) shall be distributed by the Depository to the Owners entitled thereto as in the case of a distribution received in cash.

SECTION 4.3 Distributions in Shares.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may, and shall if the Issuer shall so request, distribute to the Owners of outstanding Receipts entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, additional Receipts evidencing an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and the issuance of American Depositary Shares evidenced by Receipts, including the withholding of any tax or other governmental charge as provided in Section 4.11 and the payment of fees and expenses of the Depositary as provided in Section 5.9. In lieu of delivering Receipts for fractional American Depositary Shares in any such case, the Depositary shall sell the amount of Shares represented by the aggregate of such fractions and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.1. If additional Receipts are not so distributed, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

SECTION 4.4 Rights.

In the event that the Issuer shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after Consultation with the Issuer, shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary

determines in its discretion that it is lawful and feasible to make such rights available to all Owners or to certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner of Receipts requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner hereunder, the Depositary will make such rights available to such Owner upon written notice from the Issuer to the Depositary that (a) the Issuer has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Issuer has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Issuer shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.2 of this Deposit Agreement, and shall, pursuant to Section 2.3 of this Deposit Agreement, execute and deliver Receipts to such Owner. In the case of a distribution pursuant to the second paragraph of this section, such Receipts shall be legended in accordance with applicable U.S. laws, and shall be subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under such laws.

If the Depositary determines in its discretion that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary as provided in Section 5.9 and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of this Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any Receipt or otherwise.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act with respect to a distribution to Owners or are registered under the provisions of such Act; provided, that nothing in this Deposit Agreement shall create any obligation on the part of the Issuer to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner of Receipts requests distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Issuer upon which the Depositary may rely that such distribution to such Owner is exempt from such registration; provided, however, the Issuer shall have no obligation to cause its counsel to issue such opinion at the request of such Owner.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

SECTION 4.5 Shareholder Rights Plan.

(a) The Issuer has adopted a shareholder rights plan pursuant to a Rights Agreement made and entered into as of November 23, 2007 (the "Rights Agreement"), by and between the Issuer and The Bank of New York, as rights agent (in its capacity as rights agent, the "Rights Agent"). Pursuant to the terms of the Rights Agreement, each holder of the Issuer's Shares shall be entitled to certain rights (the "Rights"). The Rights Agreement provides that the Rights, when exercisable, will entitle the holder to purchase one fully paid and nonassessable Share, U.S. \$0.01 par value of the Issuer at a purchase price of U.S. \$700.00 per Share upon presentation and surrender to the Rights Agent of a Right Certificate (as defined in the Rights Agreement) and such other and further documentation as required by the Rights Agreement.

(b) Initially, the Rights will attach to all Shares outstanding as of the close of business on December 3, 2007, and no separate certificates for Rights will be distributed. The Rights will separate from the Shares on the Distribution Date (as defined in the Rights Agreement). Until the distribution of the Right Certificates (or earlier redemption or expiration of the Rights) the surrender for transfer of any Shares (which certificates for the Shares shall be deemed also to be Right Certificates) shall also constitute the transfer of the Rights associated with the Shares. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(c) Upon the earlier of receipt of the notice of the occurrence of the Distribution Date from the (i) Rights Agent, or (ii) Issuer, the Depository shall set a record date (the "Rights Record Date") in accordance with the terms of this Deposit Agreement for the determination of the Owners entitled to receive a Rights Exercise Notice (as hereinafter defined). The Depository shall establish, in its reasonable discretion, the timing and procedures to (i) distribute a notice the ("Rights Exercise Notice") to Owners to enable Owners to issue instructions to the Depository whether to exercise the Rights attached to the Shares underlying such Owner's Receipts as of the Rights Record Date (upon payment of the subscription or purchase price and of any applicable fees and charges set

forth in Section 5.9, including, without limitation, fees and charges of and expenses incurred by, the Depositary and all taxes and governmental charges payable in connection with such Rights, collectively the “Exercise Consideration”), and (ii) to issue and deliver Receipts to the Owners upon the Depositary’s receipt from the Owners of a validly executed Rights Exercise Notice upon full payment of the Exercise Consideration and upon receipt by the Custodian of the appropriate number of Shares. Nothing herein shall obligate the Depositary to make available to the Owners a method to exercise rights to subscribe for Shares (other than to receive Receipts upon the Depositary’s exercise of the Rights on the instructions of such Owner). The Depositary will issue Receipts in certificated or uncertificated form as instructed by the Owners evidencing new ADSs to be received pursuant to the exercise of Rights as soon as practicable after receipt of the underlying Ordinary Shares by the Custodian.

(d) The Depositary shall have no duty to distribute solicitation or informational materials to Owners except upon instruction by the Issuer or the Rights Agent. If the Depositary distributes soliciting or informational materials in connection with the exercise of the Rights to the Owners at the request of the Issuer or the Rights Agent, the Depositary shall not be responsible for the content of any such materials provided to it by the Rights Agent or the Issuer.

(e) If the amount of the Exercise Consideration is insufficient to pay the amount of the subscription price plus ADS issuance fees, expenses and financial transaction taxes in respect of a Receipt subscribed for and allocated, the Depositary shall not be required to advance the amount of any such deficiency and may reduce the amount of such Owner’s subscription for a Receipt pro rata based on the amount of such deficiency, unless the Owner delivers to the Depositary sufficient funds to cover the deficiency prior to any relevant deadlines set by the Depositary.

(f) Notwithstanding anything to the contrary in this Section 4.5, the Depositary shall not distribute the Exercise Notices to the Owners unless the Depositary has received written notification from the Issuer that (i) a registration statement under the Securities Act with respect to the Receipts that represent Shares to be purchased upon exercise of the Rights (or any other applicable law) has become effective and, (ii) (X) if applicable, that a registration statement for the Shares represented by the Receipts has been declared effective, or (Y) there is delivered to the Depositary an opinion of counsel for the Issuer in the United States, addressed to the Depositary and in a form reasonably satisfactory to the Depositary, to the effect that the offering and sale of such Shares is exempt from, or does not require registration under, the provisions of the Securities Act or any other applicable laws.

(g) The forgoing description of the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement. A current copy of the Rights Agreement will be mailed by the Issuer to any Owner without charge, within five (5) business days following receipt by the Issuer of a written request therefor in writing.

#### SECTION 4.6 Conversion of Foreign Currency.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted, by sale or in any other manner that it may determine, such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any Receipt or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.9.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the opinion of the Depositary is not obtainable without excessively burdensome or otherwise unreasonable efforts, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, or if there are foreign exchange controls in place that prohibit such conversion, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.



SECTION 4.7 Fixing of Record Date.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which date shall be the same date, to the extent practicable, as the record date for the Deposited Securities or if different, as close thereto as practicable (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof or (ii) entitled to give instructions for the exercise of voting rights at any such meeting, or (b) on or after which each American Depositary Share will represent the changed number of Shares, or (c) for any other matter. Subject to the provisions of Sections 4.1 through 4.6 and to the other terms and conditions of this Deposit Agreement, the Owners on such record date shall be entitled, as the case may be, to receive the amount distributable by the Depositary with respect to such dividend or other distribution or such rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively and to give voting instructions and to act in respect of any other such matter.

SECTION 4.8 Voting of Deposited Securities.

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities, if requested in writing by the Issuer the Depositary shall, as soon as practicable thereafter, mail to the Owners a notice, the form of which notice shall contain (a) such information as is contained in such notice of meeting, and (b) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Hong Kong and Cayman Islands law and of the Memorandum and Articles of Association of the Issuer, to instruct the Depositary as to the exercise of the voting rights, if any,

pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given including an express indication that, if the Depositary does not receive instructions, such instructions may be given or deemed given in accordance with the last sentence of this paragraph to the Depositary to give a discretionary proxy to a person designated by the Issuer. Upon the written request of an Owner on such record date, received on or before the date established by the Depositary for such purpose, (the "Instruction Date") the Depositary shall endeavor, in so far as practicable, to vote or cause to be voted the amount of Shares or other Deposited Securities represented by the American Depositary Shares evidenced by such Receipt in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions or deemed instructions. If no instructions are received by the Depositary from any Owner with respect to any of the Deposited Securities represented by the American Depositary Shares evidenced by such Owner's Receipts on or before the date established by the Depositary for such purpose, the Depositary shall deem such Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Issuer with respect to such Deposited Securities and the Depositary shall give a discretionary proxy to a person designated by the Issuer to vote such Deposited Securities, provided, that no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which the Issuer informs the Depositary (and the Issuer agrees to provide such information as promptly as practicable in writing) that (x) the Issuer does not wish such discretionary proxy given, (y) substantial opposition exists or (z) such matter materially and adversely affects the rights of holders of Shares.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the Instruction Date to ensure that the Depositary will vote the Shares or Deposited Securities in accordance with the provisions set forth in the preceding paragraph.

SECTION 4.9 Changes Affecting Deposited Securities.

In circumstances where the provisions of Section 4.3 do not apply, upon any change in nominal value, change in par value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Issuer or to which it is a party, any securities which shall be received by the Depositary or a Custodian in exchange for or in conversion of or in respect of Deposited Securities, shall be treated as new Deposited Securities under this Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, if any, the new Deposited Securities so received in exchange or conversion, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depositary may, and shall at the Issuer's request, execute and deliver additional Receipts as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

SECTION 4.10 Reports.

The Depositary shall make available for inspection by Owners at its Corporate Trust Office any reports and communications, including any proxy soliciting material, received from the Issuer which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Issuer. The Depositary shall also, upon written request, send to the Owners copies of such reports furnished by the Issuer pursuant to Section 5.6. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Issuer shall be furnished in English.

**SECTION 4.11 Lists of Owners.**

Promptly upon request by the Issuer, the Depositary shall, at the expense of the Issuer, furnish to it a list, as of a recent date, of the names, addresses and holdings of American Depositary Shares by all persons in whose names Receipts are registered on the books of the Depositary.

**SECTION 4.12 Withholding.**

The Issuer or its agent will remit to the appropriate governmental agency in the Cayman Islands all amounts withheld and owing to such agency. The Depositary will forward to the Issuer or its agent such information from its records as the Issuer may reasonably request to enable the Issuer or its agent to file necessary reports with governmental agencies, and the Depositary or the Issuer or its agent may file any such reports necessary to obtain benefits under the applicable tax treaties for the Owners of Receipts.

In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay any such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

**ARTICLE 5. THE DEPOSITARY, THE CUSTODIANS AND THE ISSUER.**

**SECTION 5.1 Maintenance of Office and Transfer Books by the Depositary.**

Until termination of this Deposit Agreement in accordance with its terms, the Depositary shall maintain in the Borough of Manhattan, The City of New York, facilities for the execution and delivery, registration, registration of transfers and surrender of Receipts in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books at its Corporate Trust Office for the registration of Receipts and transfers of Receipts which at all reasonable times shall be open for inspection by the Owners and the Issuer, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Issuer or a matter related to this Deposit Agreement or the Receipts.

The Depositary may close the transfer books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder or at the reasonable written request of the Issuer.

If any Receipts or the American Depositary Shares evidenced thereby are listed on one or more stock exchanges in the United States, the Depositary shall act as Registrar or appoint, with prompt written notice provided to the Issuer, a Registrar or one or more co-registrars for registry of such Receipts in accordance with any requirements of such exchange or exchanges. Each co-registrar or other agent appointed under this Section 5.1 shall give notice in writing to the Issuer and the Depositary accepting such appointment and agreeing to abide by the applicable terms of this Deposit Agreement.

SECTION 5.2 Prevention or Delay in Performance by the Depositary or the Issuer.

Neither the Depositary nor the Issuer nor any of their respective directors, officers, employees, agents or affiliates shall incur any liability to any Owner or Beneficial Owner of any Receipt, if by reason of any provision of any present or future law or regulation of the United States, the People's Republic of China or any other country, or of any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the Memorandum and Articles of Association of the Issuer, or

by reason of any provision of any securities issued or distributed by the Issuer, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depository or the Issuer shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of this Deposit Agreement or the Deposited Securities it is provided shall be done or performed; nor shall the Depository or the Issuer or any of their respective directors, officers, employees, agents or affiliates incur any liability to any Owner or Beneficial Owner of any Receipt by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of this Deposit Agreement it is provided shall or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement. Where, by the terms of a distribution pursuant to Sections 4.1, 4.2, or 4.3 of the Deposit Agreement, or an offering or distribution pursuant to Section 4.4 or 4.5 of the Deposit Agreement, or for any other reason, such distribution or offering may not be made available to Owners, and the Depository may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depository shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse, in each such case without liability to the Issuer or the Depository.

SECTION 5.3 Obligations of the Depository, the Custodian and the Issuer.

Neither the Issuer, nor its directors, officers, employees and agents assume any obligation nor shall it or any of them be subject to any liability under this Deposit Agreement to Owners or Beneficial Owners, except that the Issuer agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

Neither the Depository nor its directors, officers, employees and agents assume any obligation nor shall it or any of them be subject to any liability under this Deposit Agreement to any Owner or Beneficial Owner of any Receipt (including, without limitation, liability with respect to the validity or worth of the Deposited Securities), except that the Depository agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

Notwithstanding any other provision contained herein, in carrying out its duties and responsibilities pursuant to Section 4.5 of this Deposit Agreement, neither the Depository nor its directors, officers, employees and agents shall be liable or responsible for anything done or omitted to be done by it in the absence of gross negligence, bad faith or willful misconduct.

Neither the Depository nor the Issuer shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the Receipts, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense and liability shall be furnished as often as may be required, and the Custodian shall not be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depository.

Neither the Depository nor the Issuer shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or any other person believed by it in good faith to be competent to give such advice or information.

The Depository shall not be liable for any acts or omissions made by a successor depository whether in connection with a previous act or omission of the Depository or in connection with any matter arising wholly after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises the Depository performed its obligations without negligence or bad faith while it acted as Depository.

The Depository shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of this Deposit Agreement.

SECTION 5.4 Resignation and Removal of the Depository.

The Depository may at any time resign as Depository hereunder by written notice of its election so to do delivered to the Issuer, such resignation to take effect upon the appointment of a successor depository and its acceptance of such appointment as hereinafter provided.

The Depository may at any time be removed by the Issuer by 90 days prior written notice of such removal, which shall become effective upon the later to occur of (i) the 90<sup>th</sup> day after delivery of the notice to the Depository or (ii) the appointment of a successor depository and its acceptance of such appointment as hereinafter provided.

In case at any time the Depository acting hereunder shall resign or be removed, the Issuer shall use reasonable efforts to appoint a successor depository, which shall be a bank or trust company having an office in the Borough of Manhattan, The City of New York. Every successor depository shall execute and deliver to its predecessor and to the Issuer an instrument in writing accepting its appointment hereunder, and thereupon such successor depository, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor; but such predecessor, nevertheless, upon payment of all sums due it and on the written request of the Issuer shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Deposited Securities to such successor, and shall deliver to such successor a list of the Owners of all outstanding Receipts. Any such successor depository shall promptly mail notice of its appointment to the Owners.



Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

SECTION 5.5 The Custodians.

The Custodian shall be subject at all times and in all respects to the directions of the Depositary and shall be responsible solely to it. Any Custodian may resign and be discharged from its duties hereunder by notice of such resignation delivered to the Depositary at least 30 days prior to the date on which such resignation is to become effective. If upon such resignation there shall be no Custodian acting hereunder, the Depositary shall, promptly after receiving such notice, appoint a substitute custodian or custodians, each of which shall thereafter be a Custodian hereunder. Whenever the Depositary in its discretion determines that it is in the best interest of the Owners to do so, it may appoint a substitute or additional custodian or custodians, each of which shall thereafter be one of the Custodians hereunder. Upon demand of the Depositary any Custodian shall deliver such of the Deposited Securities held by it as are requested of it to any other Custodian or such substitute or additional custodian or custodians. Each such substitute or additional custodian shall deliver to the Depositary, forthwith upon its appointment, an acceptance of such appointment satisfactory in form and substance to the Depositary.

Upon the appointment of any successor depositary hereunder, each Custodian then acting hereunder shall forthwith become, without any further act or writing, the agent hereunder of such successor depositary and the appointment of such successor depositary shall in no way impair the authority of each Custodian hereunder; but the successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority as agent hereunder of such successor depositary.

SECTION 5.6 Notices and Reports.

On or before the first date on which the Issuer gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights, the Issuer agrees to transmit to the Depositary and the Custodian a copy of the notice thereof in the form given or to be given to holders of Shares or other Deposited Securities.

The Issuer will arrange for the translation into English, if not already in English, to the extent required pursuant to any regulation of the Commission, and the prompt transmittal by the Issuer to the Depositary and the Custodian of such notices and any other reports and communications which are made generally available by the Issuer to holders of its Shares. If requested in writing by the Issuer, the Depositary will arrange for the mailing, at the Issuer's expense, of copies of such notices, reports and communications to all Owners. The Issuer will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect such mailings.

SECTION 5.7 Distribution of Additional Shares, Rights, etc.

The Issuer agrees that in the event of any issuance or distribution of (1) additional Shares, (2) rights to subscribe for Shares, (3) securities convertible into Shares, or (4) rights to subscribe for such securities, (each a "Distribution") the Issuer will promptly furnish to the Depositary a written opinion from U.S. counsel for the Issuer, which counsel shall be reasonably satisfactory to the Depositary, stating whether or not the Distribution requires a Registration Statement under the Securities Act to be in effect prior to making such Distribution available to Owners entitled thereto. If in the opinion of such counsel a Registration Statement is required, such counsel shall furnish to the Depositary a written opinion as to whether or not there is a Registration Statement in effect which will cover such Distribution.

The Issuer agrees with the Depositary that neither the Issuer nor any company controlled by, controlling or under common control with the Issuer will at any time deposit any Shares, either originally issued or previously issued and reacquired by the Issuer or any such affiliate, unless a Registration Statement is in effect as to such Shares under the Securities Act.

SECTION 5.8 Indemnification.

The Issuer agrees to indemnify the Depositary, its directors, employees, agents and affiliates and any Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to, the fees and expenses of counsel) which may arise out of any registration with the Commission of Receipts, American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States or out of acts performed or omitted, in accordance with the provisions of this Deposit Agreement and of the Receipts, as the same may be amended, modified or supplemented from time to time, (i) by either the Depositary or a Custodian or their respective directors, employees, agents and affiliates, except for any liability or expense arising out of the negligence or bad faith of either of them, or (ii) by the Issuer or any of its directors, employees, agents and affiliates.

The Depositary agrees to indemnify the Issuer, its directors, employees, agents and affiliates and hold them harmless from any liability or expense which may arise out of acts performed or omitted by the Depositary or its Custodian or their respective directors, employees, agents and affiliates due to their negligence or bad faith.

If an action, proceeding (including, but not limited to, any governmental investigation), claim or dispute (collectively, a "Proceeding") in respect of which indemnity may be sought by either party is brought or asserted against the other party, the party

seeking indemnification (the "Indemnitee") shall promptly (and in no event more than ten (10) days after receipt of notice of such Proceeding) notify the party obligated to provide such indemnification (the "Indemnitor") of such Proceeding. The failure of the Indemnitee to so notify the Indemnitor shall not impair the Indemnitee's ability to seek indemnification from the Indemnitor (but only for costs, expenses and liabilities incurred after such notice) unless such failure adversely affects the Indemnitor's ability to adequately oppose or defend such Proceeding. Upon receipt of such notice from the Indemnitee, the Indemnitor shall be entitled to participate in such Proceeding and, to the extent that it shall so desire and provided no conflict of interest exists as specified in subparagraph (b) below or there are no other defenses available to Indemnitee as specified in subparagraph (d) below, to assume the defense thereof with counsel reasonably satisfactory to the Indemnitee (in which case all attorney's fees and expenses shall be borne by the Indemnitor and the Indemnitor shall in good faith defend the Indemnitee). The Indemnitee shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be borne by the Indemnitee unless (a) the Indemnitor agrees in writing to pay such fees and expenses, (b) the Indemnitee shall have reasonably and in good faith concluded that there is a conflict of interest between the Indemnitor and the Indemnitee in the conduct of the defense of such action, (c) the Indemnitor fails, within ten (10) days prior to the date the first response or appearance is required to be made in such Proceeding, to assume the defense of such Proceeding with counsel reasonably satisfactory to the Indemnitee or (d) there are legal defenses available to Indemnitee that are different from or are in addition to those available to the Indemnitor. No compromise or settlement of such Proceeding may be effected by either party without the other party's consent unless (i) there is no finding or admission of any violation of law and no effect on any other claims that may be made against such other party and (ii) the sole relief provided is monetary damages that are paid in full by the party seeking the settlement. Neither party shall have any liability with respect to any compromise or settlement effected without its consent, which shall not be unreasonably withheld. The Indemnitor shall have no obligation to indemnify and hold harmless the Indemnitee from any loss, expense or liability incurred by the Indemnitee as a result of a default judgment entered against the Indemnitee unless such judgment was entered after the Indemnitor agreed, in writing, to assume the defense of such Proceeding.

SECTION 5.9 Charges of Depositary.

The Issuer agrees to pay the fees, reasonable expenses and out-of-pocket charges of the Depositary and those of any Registrar only in accordance with agreements in writing entered into between the Depositary and the Issuer from time to time. The Depositary shall present its statement for such charges and expenses to the Issuer once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Issuer or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.3), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Issuer or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable, telex and facsimile transmission expenses as are expressly provided in this Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.6, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.3, 4.3, 4.4 or 4.5 and the surrender of American Depositary Shares pursuant to Section 2.5 or 6.2, (6) a fee of \$.02 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, including, but not limited to Sections 4.1 through 4.5

hereof, (7) a fee for the distribution of securities pursuant to Section 4.2, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.02 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary, subject to Section 2.9 hereof, may own and deal in any class of securities of the Issuer and its affiliates and in Receipts.

**SECTION 5.10 Retention of Depositary Documents.**

The Depositary is authorized to destroy those documents, records, bills and other data compiled during the term of this Deposit Agreement at the times permitted by the laws or regulations governing the Depositary unless the Issuer requests that such papers be retained for a longer period or turned over to the Issuer or to a successor depositary.

**SECTION 5.11 Exclusivity.**

The Issuer agrees not to appoint any other depositary for issuance of American Depositary Receipts so long as The Bank of New York is acting as Depositary hereunder.

**SECTION 5.12 List of Restricted Securities Owners.**

From time to time, the Issuer shall provide to the Depository a list setting forth, to the actual knowledge of the Issuer, those persons or entities who beneficially own Restricted Securities. The Issuer agrees to advise in writing each of the persons or entities so listed that such Restricted Securities are ineligible for deposit hereunder. The Depository may rely on such a list or update but shall not be liable for any action or omission made in reliance thereon.

**ARTICLE 6. AMENDMENT AND TERMINATION.**

**SECTION 6.1 Amendment.**

The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Issuer and the Depository without the consent of Owners and Beneficial Owners in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding Receipts until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding Receipts. Every Owner at the time any amendment so becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner of any Receipt to surrender such Receipt and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

**SECTION 6.2 Termination.**

The Depository shall at any time at the direction of the Issuer terminate this Deposit Agreement by mailing notice of such termination to the Owners of all Receipts then outstanding at least 90 days prior to the date fixed in such notice for such termination.

The Depositary may likewise terminate this Deposit Agreement by mailing notice of such termination to the Issuer and the Owners of all Receipts then outstanding if at any time 90 days shall have expired after the Depositary shall have delivered to the Issuer a written notice of its election to resign and a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4. On and after the date of termination, the Owner of a Receipt will, upon (a) surrender of such Receipt at the Corporate Trust Office of the Depositary, (b) payment of the fee of the Depositary for the surrender of Receipts referred to in Section 2.5, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by the American Depositary Shares evidenced by such Receipt. If any Receipts shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of Receipts, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under this Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in this Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for Receipts surrendered to the Depositary (after deducting, in each case, the fee of the Depositary for the surrender of a Receipt, any expenses for the account of the Owner of such Receipt in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges). At any time after the expiration of one year from the date of termination, the Depositary may sell the Deposited Securities then held hereunder and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of Receipts which have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary



shall be discharged from all obligations under this Deposit Agreement, except for its obligations to the Issuer under Section 5.8 and to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of a Receipt, any expenses for the account of the Owner of such Receipt in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges). Upon the termination of this Deposit Agreement, the Issuer shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.8 and 5.9 hereof.

**ARTICLE 7. MISCELLANEOUS.**

**SECTION 7.1 Counterparts.**

This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts shall constitute one and the same instrument. Copies of this Deposit Agreement shall be filed with the Depositary and the Custodians and shall be open to inspection by any Owner or Beneficial Owner of a Receipt during business hours.

**SECTION 7.2 No Third Party Beneficiaries.**

This Deposit Agreement is for the exclusive benefit of the parties hereto (which shall include the Owners and Beneficial Owners) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person.

**SECTION 7.3 Severability.**

In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.4 Owners and Beneficial Owners as Parties; Binding Effect.

The Owners and Beneficial Owners of Receipts from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance thereof.

SECTION 7.5 Notices.

Any and all notices to be given to the Issuer shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to Ctrip.com International, Ltd., 99 Fu Quan Road, Shanghai 200335, People's Republic of China, Attention: Min Fan, or any other place to which the Issuer may have transferred its principal office.

Any and all notices to be given to the Depository shall be deemed to have been duly given if in English and personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to The Bank of New York, 101 Barclay Street, New York, New York 10286, Attention: American Depository Receipt Administration, or any other place to which the Depository may have transferred its Corporate Trust Office.

Any and all notices to be given to any Owner shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to such Owner at the address of such Owner as it appears on the transfer books for Receipts of the Depository, or, if such Owner shall have filed with the Depository a written request that notices intended for such Owner be mailed to some other address, at the address designated in such request.

Delivery of a notice sent by mail or cable, telex or facsimile transmission shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post-office letter box. The Depository or the Issuer may, however, act upon any cable, telex or facsimile transmission received by it, notwithstanding that such cable, telex or facsimile transmission shall not subsequently be confirmed by letter as aforesaid.

SECTION 7.6 Governing Law.

This Deposit Agreement and the Receipts shall be interpreted and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by the laws of the State of New York.

SECTION 7.7 Compliance with U.S. Securities Laws.

Notwithstanding anything in this Deposit Agreement to the contrary, the Issuer and the Depositary each agrees that it will not exercise any rights it has under this Deposit Agreement to permit the withdrawal or delivery of Deposited Securities in a manner which would violate the U.S. securities laws, including, but not limited to, Section I.A.(1) of the General Instructions to the Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

SECTION 7.8 Submission to Jurisdiction; Appointment of Agent for Service of Process.

The Issuer hereby (i) irrevocably designates and appoints CT Corporation System, 111 Eighth Avenue, 13<sup>th</sup> Floor, New York, New York 10011, in the State of New York, as the Issuer's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Issuer in any such suit or proceeding. The Issuer agrees to deliver, upon the execution and delivery of this Deposit Agreement, a written acceptance by such agent of its appointment as such agent. The Issuer further agrees to

take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment in full force and effect for so long as any American Depositary Shares or Receipts remain outstanding or this Agreement remains in force. In the event the Issuer fails to continue such designation and appointment in full force and effect, the Issuer hereby waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to the Issuer at its address last specified for notices hereunder, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

SECTION 7.9 Arbitration.

In the event the Depositary is advised that a judgment of a United States court may not be recognized, the following provisions shall apply:

(i) Any controversy, claim or cause of action brought by any party or parties hereto against any other party or parties hereto arising out of or relating to the Deposit Agreement shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(ii) The place of the arbitration shall be the City of New York, State of New York, United States of America, and the language of the arbitration shall be English.

(iii) The number of arbitrators shall be three, each of whom shall be disinterested in the dispute or controversy, shall have no connection with any party thereto, and shall be an attorney experienced in international securities transactions. Each party shall appoint one arbitrator and the two arbitrators shall select a third arbitrator who shall serve as chairperson of the tribunal. If a dispute, controversy or cause of action shall involve more than two parties, the parties shall attempt to align themselves in two sides (i.e.,

claimant and respondent), each of which shall appoint one arbitrator as if there were only two parties to such dispute, controversy or cause of action. If either or both parties fail to select an arbitrator, or if such alignment (in the event there is more than two parties) shall not have occurred, within sixty (60) calendar days after the initiating party serves the arbitration demand or the two arbitrators fail to select a third arbitrator within sixty (60) calendar days of the selection of the second arbitrator, the American Arbitration Association shall appoint the arbitrator or arbitrators in accordance with its rules. The parties and the American Arbitration Association may appoint the arbitrators from among the nationals of any country, whether or not a party is a national of that country.

(iv) The arbitrators shall have no authority to award damages not measured by the prevailing party's actual damages and shall have no authority to award any consequential, special or punitive damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Deposit Agreement.

(v) In the event any third-party action or proceeding is instituted against the Depository relating to or arising from any act or failure to act by the Issuer, the Issuer hereby submits to the personal jurisdiction of the court or administrative agency in which such action or proceeding is brought.

IN WITNESS WHEREOF, CTRIP.COM INTERNATIONAL, LTD. and THE BANK OF NEW YORK have duly executed this agreement as of the day and year first set forth above and all Owners and Beneficial Owners shall become parties hereto upon acceptance by them of Receipts issued in accordance with the terms hereof.

CTRIP.COM INTERNATIONAL, LTD.

By: /s/ Jane Jie Sun

Name: Jane Jie Sun

Title: Chief Financial Officer

THE BANK OF NEW YORK,  
as Depositary

By: /s/ Edgar Piedra

Name: Edgar Piedra

Title: Vice President

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No.

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**AMERICAN DEPOSITARY SHARES**  
**(Each American Depositary Share**  
**represents one half (0.5) of one deposited**  
**Share)**

**THE BANK OF NEW YORK**  
**AMERICAN DEPOSITARY RECEIPT**  
**FOR ORDINARY SHARES OF THE**  
**PAR VALUE OF U.S.\$0.01 PER SHARE OF**  
**CTrip.COM INTERNATIONAL, LTD.**  
**(INCORPORATED UNDER THE LAWS OF THE CAYMAN ISLANDS)**

The Bank of New York as depositary (hereinafter called the "Depositary"), hereby certifies that \_\_\_\_\_, or registered assigns IS THE OWNER  
OF

**AMERICAN DEPOSITARY SHARES**

representing deposited ordinary shares (herein called "Shares") of Ctrip.com International, Ltd., incorporated under the laws of the Cayman Islands (herein called the "Issuer"). At the date hereof, each American Depositary Share represents one half (0.5) of one Share which is either deposited or subject to deposit under the deposit agreement at the Hong Kong office of The Hongkong and Shanghai Banking Corporation Limited (herein called the "Custodian"). The Depositary's Corporate Trust Office is located at a different address than its principal executive office. Its Corporate Trust Office is located at 101 Barclay Street, New York, N.Y. 10286, and its principal executive office is located at One Wall Street, New York, N.Y. 10286.

**THE DEPOSITARY'S CORPORATE TRUST OFFICE ADDRESS IS**  
**101 BARCLAY STREET, NEW YORK, N.Y. 10286**

1. **THE DEPOSIT AGREEMENT.**

This American Depositary Receipt is one of an issue (herein called "Receipts"), all issued and to be issued upon the terms and conditions set forth in the 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 (herein called the "Deposit Agreement"), by and among the Issuer, the Depositary, and all Owners and Beneficial Owners from time to time of Receipts issued thereunder, each of whom by accepting a Receipt agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and Beneficial Owners of the Receipts and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of such Shares and held thereunder (such Shares, securities, property, and cash are herein called "Deposited Securities"). Copies of the Deposit Agreement are on file at the Depositary's Corporate Trust Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms not defined herein shall have the meanings set forth in the Deposit Agreement.

2. **SURRENDER OF RECEIPTS AND WITHDRAWAL OF SHARES.**

Upon surrender at the Corporate Trust Office of the Depositary of this Receipt, and upon payment of the fee of the Depositary provided in this Receipt, and subject to the terms and conditions of the Deposit Agreement, the Owner hereof is entitled to delivery, to him or upon his order, of the amount of Deposited Securities at the time represented by the American Depositary Shares for which this Receipt is issued. Delivery of such Deposited Securities may be made by the delivery of (a) Shares in the name of the Owner hereof or as ordered by him or by certificates properly endorsed or accompanied by proper instruments of transfer to such Owner or as ordered by him and (b) any other securities, property and cash to which such Owner is then entitled in respect of this Receipt to such Owner or as ordered by him. Such delivery will be made at the option of the Owner hereof, either at the office of the Custodian or at the Corporate Trust Office of the Depositary, provided that the forwarding of certificates for Shares or other Deposited Securities for such delivery at the Corporate Trust Office of the Depositary shall be at the risk and expense of the Owner hereof. Notwithstanding any other provision of the Deposit Agreement or this Receipt, the surrender of outstanding Receipts and withdrawal of Deposited Securities may be suspended only for (i) temporary delays caused by closing the transfer books of the Depositary or the Issuer or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the Receipts or to the withdrawal of the Deposited Securities.

3. **TRANSFERS, SPLIT-UPS, AND COMBINATIONS OF RECEIPTS.**

The transfer of this Receipt is registrable on the books of the Depository at its Corporate Trust Office by the Owner hereof in person or by a duly authorized attorney, upon surrender of this Receipt properly endorsed for transfer or accompanied by proper instruments of transfer and funds sufficient to pay any applicable transfer taxes and the expenses of the Depository and upon compliance with such regulations, if any, as the Depository may establish for such purpose. This Receipt may be split into other such Receipts, or may be combined with other such Receipts into one Receipt, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination, or surrender of any Receipt or withdrawal of any Deposited Securities, the Depository, the Custodian, or Registrar may require payment from the depositor of Shares or the presenter of the Receipt of a sum sufficient to reimburse it for any tax, stamp duty or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in this Receipt, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depository may establish consistent with the provisions of the Deposit Agreement or this Receipt.

The delivery of Receipts against deposits of Shares generally or against deposits of particular Shares may be suspended, or the transfer of Receipts in particular instances may be refused, or the registration of transfer of outstanding Receipts generally may be suspended, during any period when the transfer books of the Depository are closed, or if any such action is deemed necessary or advisable by the Depository or the Issuer at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement or this Receipt, or for any other reason, subject to Article (24) hereof. Without limitation of the foregoing, the Depository shall not knowingly accept for deposit under the Deposit Agreement any Shares required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such Shares.

4. **LIABILITY OF OWNER FOR TAXES.**

If any tax or other governmental charge shall become payable with respect to any Receipt or any Deposited Securities represented hereby, such tax or other governmental charge shall be payable by the Owner hereof to the Depository. The Depository may refuse to effect any transfer of this Receipt or any withdrawal of Deposited Securities represented by American Depositary Shares evidenced by such Receipt until such payment is made, and may withhold any dividends or other distributions, or may sell for

the account of the Owner hereof any part or all of the Deposited Securities represented by the American Depositary Shares evidenced by this Receipt, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner hereof shall remain liable for any deficiency.

5. **WARRANTIES OF DEPOSITORS.**

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any pre-emptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit of such Shares and the sale of Receipts evidencing American Depositary Shares representing such Shares by that person would not be Restricted Securities. Such representations and warranties shall survive the deposit of Shares and issuance of Receipts.

6. **FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.**

Any person presenting Shares for deposit or any Owner or Beneficial Owner of a Receipt may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Issuer or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of any Receipt or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made. If requested in writing, the Depositary shall, as promptly as practicable, provide the Issuer, at the expense of the Issuer, with copies of any such proofs, certificates or other information it receives pursuant to this Article, unless prohibited by applicable law. No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body the Cayman Islands or in Hong Kong which is then performing the function of the regulation of currency exchange.

7. **CHARGES OF DEPOSITARY.**

The Issuer agrees to pay the fees, reasonable expenses and out-of-pocket charges of the Depositary and those of any Registrar only in accordance with agreements in writing entered into between the Depositary and the Issuer from time to time. The Depositary shall present its statement for such charges and expenses to the Issuer once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Issuer or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.3 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Issuer or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals under the terms of the Deposit Agreement, (3) such cable, telex and facsimile transmission expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.5 of the Deposit Agreement, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.3, 4.3, 4.4 or 4.5 of the Deposit Agreement and the surrender of American Depositary Shares pursuant to Section 2.5 or 6.2 of the Deposit Agreement, (6) a fee of \$.02 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.1 through 4.5 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.2 of the Deposit Agreement, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.02 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary, subject to Section 2.9 of the Deposit Agreement and Article 8 hereof, may own and deal in any class of securities of the Issuer and its affiliates and in Receipts.

8. **PRE-RELEASE OF RECEIPTS.**

The Depositary may issue Receipts against the delivery by the Issuer (or any agent of the Issuer recording Share ownership) of rights to receive Shares from the Issuer (or any such agent). No such issue of Receipts will be deemed a "Pre-Release" that is subject to the restrictions of the following paragraph.

Unless requested in writing by the Issuer to cease doing so, the Depositary may, notwithstanding Section 2.3 of the Deposit Agreement, execute and deliver Receipts prior to the receipt of Shares pursuant to Section 2.2 of the Deposit Agreement (“Pre-Release”). The Depositary may, pursuant to Section 2.5 of the Deposit Agreement, deliver Shares upon the receipt and cancellation of Receipts which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such Receipt has been Pre-Released. The Depositary may receive Receipts in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation and agreement from the person to whom Receipts are to be delivered (the “Pre-Releasee”) that the Pre-Releasee, or its customer, (i) owns the Shares or Receipts to be remitted, as the case may be, (ii) assigns all beneficial rights, title and interest in such Shares or Receipts, as the case may be, to the Depositary in its capacity as such and for the benefit of the Owners, and (iii) will not take any action with respect to such Shares or Receipts, as the case may be, that is inconsistent with the transfer of beneficial ownership (including, without the consent of the Depositary, disposing of such Shares or Receipts, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralized with cash, U.S. government securities or such other collateral as the Depositary determines, in good faith, will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of Shares not deposited but represented by American Depositary Shares outstanding at any time as a result of Pre-Releases will not normally exceed thirty percent (30%) of the Shares deposited hereunder; provided, however, that the Depositary reserves the right to disregard such limit from time to time as it deems reasonably appropriate, and may, with the prior written consent of the Issuer, change such limit for purposes of general application. The Depositary will also set Dollar limits with respect to Pre-Release transactions to be entered into hereunder with any particular Pre-Releasee on a case-by-case basis as the Depositary deems appropriate. For purposes of enabling the Depositary to fulfill its obligations to the Owners under the Deposit Agreement, the collateral referred to in clause (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee’s obligations to the Depositary in connection with a Pre-Release transaction, including the Pre-Releasee’s obligation to deliver Shares or Receipts upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Securities hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing.

9. **TITLE TO RECEIPTS.**

It is a condition of this Receipt and every successive Owner and Beneficial Owner of this Receipt by accepting or holding the same consents and agrees, that title to this Receipt when properly endorsed or accompanied by proper instruments of transfer, is transferable by delivery with the same effect as in the case of a negotiable instrument; under the laws of New York; provided, however, that the Depositary, notwithstanding any notice to the contrary, may treat the person in whose name this Receipt is registered on the books of the Depositary as the absolute owner hereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes.

10. **VALIDITY OF RECEIPT.**

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been executed by the Depositary by the manual signature of a duly authorized signatory of the Depositary; provided, however, that such signature may be a facsimile if a Registrar for the Receipts shall have been appointed, and such Receipts are countersigned by the manual or facsimile signature of a duly authorized officer of the Registrar.

11. **REPORTS; INSPECTION OF TRANSFER BOOKS.**

The Issuer is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files certain reports with the Securities and Exchange Commission (hereinafter called the "Commission").

Such reports and communications will be available for inspection and copying at the public reference facilities maintained by the Commission located at 100 F Street, N.E., Washington, D.C. 20549.

The Depositary will make available for inspection by Owners of Receipts at its Corporate Trust Office any reports and communications, including any proxy soliciting material, received from the Issuer which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Issuer. The Depositary shall also, upon written request, send to the Owners of Receipts copies of such reports when furnished by the Issuer pursuant to the Deposit Agreement. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Issuer shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulation of the Commission.

The Depositary shall keep books at its Corporate Trust Office for the registration of Receipts and transfers of Receipts which at all reasonable times shall be open for inspection by the Owners and the Issuer, provided that such inspection shall not be for the purpose of communicating with Owners of Receipts in the interest of a business or object other than the business of the Issuer or a matter related to the Deposit Agreement or the Receipts.

12. **DIVIDENDS AND DISTRIBUTIONS.**

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities, the Depositary shall, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted on a reasonable basis into United States dollars transferable to the United States, and subject to the Deposit Agreement, convert such dividend or distribution into Dollars and shall distribute the amount thus received (net of the fees and expenses of the Depositary as provided in the Deposit Agreement, if applicable) to the Owners of Receipts entitled thereto, provided, however, that in the event that the Issuer or the Depositary shall be required to withhold and does withhold from such cash dividend or such other cash distribution in respect of any Deposited Securities an amount on account of taxes, the amount distributed to the Owners of the Receipts evidencing American Depositary Shares representing such Deposited Securities shall be reduced accordingly.

Subject to the provisions of Sections 4.11 and 5.9 of the Deposit Agreement, whenever the Depositary shall receive any distribution other than a distribution described in Sections 4.1, 4.3, 4.4 or 4.5 of the Deposit Agreement, the Depositary shall cause the securities or property received by it to be distributed to the Owners of Receipts entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary or any taxes or other governmental charges, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided, however, that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners of Receipts entitled thereto, or if for any other reason the Depositary deems such distribution not to be feasible, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees of the Depositary as provided in Section 5.9 of the Deposit Agreement) shall be distributed by the Depositary to the Owners of Receipts entitled thereto as in the case of a distribution received in cash.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may, and shall if the Issuer shall so request, distribute to the Owners of outstanding Receipts entitled thereto, additional Receipts evidencing an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and the issuance of American Depositary Shares evidenced by Receipts, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Section 5.9 of the Deposit Agreement. In lieu of delivering Receipts for fractional American Depositary Shares in any such case, the Depositary



shall sell the amount of Shares represented by the aggregate of such fractions and distribute the net proceeds, all in the manner and subject to the conditions set forth in the Deposit Agreement. If additional Receipts are not so distributed, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

The Issuer or its agent will remit to the appropriate governmental agency in the Cayman Islands all amounts withheld and owing to such agency. The Depositary will forward to the Issuer or its agent such information from its records as the Issuer may reasonably request to enable the Issuer or its agent to file necessary reports with governmental agencies, and the Depositary or the Issuer or its agent may file any such reports necessary to obtain benefits under the applicable tax treaties for the Owners of Receipts. In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay any such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners of Receipts entitled thereto.

13. **CONVERSION OF FOREIGN CURRENCY.**

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted, by sale or in any other manner that it may determine, such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any Receipt or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.9 of the Deposit Agreement.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the opinion of the Depositary is not obtainable without excessively burdensome or otherwise unreasonable efforts, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, or if there are foreign exchange controls in place that prohibit such conversion, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.

14. **RIGHTS.**

In the event that the Issuer shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after Consultation with the Issuer shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all Owners or to certain Owners but not to other Owners, the Depositary may distribute, to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner of Receipts requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner under the Deposit Agreement, the Depositary will make such rights available to such Owner upon written notice from the Issuer to the Depositary that (a) the Issuer has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Issuer has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Issuer shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.2 of the Deposit Agreement, and shall, pursuant to Section 2.3 of the Deposit Agreement, execute and deliver Receipts to such Owner. In the case of a distribution pursuant to the second paragraph of this Article, such Receipts shall be legended in accordance with applicable U.S. laws, and shall be subject to the appropriate restrictions on sale, deposit, cancellation and transfer under such laws.

If the Depositary determines in its discretion that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary as provided in Section 5.9 of the Deposit Agreement and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of the Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any Receipt or otherwise.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act with respect to a distribution to Owners or are registered under the provisions of the Securities Act; provided, that nothing in the Deposit Agreement shall create any obligation on the part of the Issuer to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner of Receipts requests distribution of warrants or other instruments, notwithstanding that there has been no such registration under such the Securities Act, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Issuer upon which the Depositary may rely that such distribution to such Owner is exempt from such registration; provided, however, the Issuer shall have no obligation to cause its counsel to issue such opinion at the request of such Owner.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

15. **SHAREHOLDER RIGHTS PLAN.**

The Issuer has adopted a shareholder rights plan pursuant to a Rights Agreement made and entered into as of November 23, 2007 as amended from time to time (the "Rights Agreement"), by and between the Issuer and The Bank of New York, as Rights Agent (the "Rights Agent"). Pursuant to the terms of the Rights Agreement, each holder of the Issuer's Shares shall be entitled to certain rights (the "Rights"). The Rights Agreement, the terms of which are hereby incorporated herein by reference, provides that the Rights, when exercisable, will entitle the holder to purchase one fully paid and nonassessable Share, U.S. \$0.01 par value of the Issuer at a purchase price of U.S. \$700.00 per Share upon presentation and surrender to the Rights Agent of a Right Certificate (as defined in the Rights Agreement) and such other and further documentation as required by the Rights Agreement. A copy of the Rights Agreement is on file at the principal executive offices of Ctrip.com International, Ltd. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by the Ordinary Share certificates. Ctrip.com International, Ltd. will mail to the holder of this Receipt a copy of the Rights Agreement as in effect on the date of mailing without charge within five (5) Business Days after receipt of a written request therefor. The terms relating to the distribution to and exercise of Rights by the Owners shall be as set forth in Section 4.5 of the Deposit Agreement. ***As described in the Rights Agreement, Rights which are owned by, transferred to or have been owned by Acquiring Persons or Associates or Affiliates thereof (as defined in the Rights Agreement) shall become null and void and will no longer be transferable.***

Upon the earlier of receipt of the notice of the occurrence of the Distribution Date from the (i) Rights Agent, or (ii) Issuer, the Depositary shall set a record date (the "Rights Record Date") in accordance with the terms of this Deposit Agreement for the determination of the Owners entitled to receive a Rights Exercise Notice (as hereinafter defined). The Depositary shall establish, in its reasonable discretion, the timing and procedures to (i) distribute a notice the ("Rights Exercise Notice") to Owners to enable Owners to issue instructions to the Depositary whether to exercise the Rights attached to the Shares underlying such Owner's Receipts as of the Rights Record Date (upon payment of the subscription or purchase price and of any applicable fees and charges set forth in Section 5.9, including, without limitation, fees and charges of and expenses incurred by, the Depositary and all taxes and governmental charges payable in connection with such Rights, collectively the "Exercise Consideration"), and (ii) to issue and deliver

Receipts to the Owners upon the Depositary's receipt from the Owners of a validly executed Rights Exercise Notice upon full payment of the Exercise Consideration and upon receipt by the Custodian of the appropriate number of Shares. Nothing herein shall obligate the Depositary to make available to the Owners a method to exercise rights to subscribe for Shares (other than to receive Receipts upon the Depositary's exercise of the Rights on the instructions of such Owner). The Depositary will issue Receipts in certificated or uncertificated form as instructed by the Owners evidencing new ADSs to be received pursuant to the exercise of Rights as soon as practicable after receipt of the underlying Ordinary Shares by the Custodian.

The Depositary shall have no duty to distribute solicitation or informational materials to Owners except upon instruction by the Issuer or the Rights Agent. If the Depositary distributes soliciting or informational materials in connection with the exercise of the Rights to the Owners at the request of the Issuer or the Rights Agent, the Depositary shall not be responsible for the content of any such materials provided to it by the Rights Agent or the Issuer.

If the amount of the Exercise Consideration is insufficient to pay the amount of the subscription price plus ADS issuance fees, expenses and financial transaction taxes in respect of a Receipt subscribed for and allocated, the Depositary shall not be required to advance the amount of any such deficiency and may reduce the amount of such Owner's subscription for a Receipt pro rata based on the amount of such deficiency, unless the Owner delivers to the Depositary sufficient funds to cover the deficiency prior to any relevant deadlines set by the Depositary.

Notwithstanding anything to the contrary in this Section 4.5, the Depositary shall not distribute the Exercise Notices to the Owners unless the Depositary has received written notification from the Issuer that (i) a registration statement under the Securities Act with respect to the Receipts that represent Shares to be purchased upon exercise of the Rights (or any other applicable law) has become effective and, (ii) (X) if applicable, that a registration statement for the Shares represented by the Receipts has been declared effective, or (Y) there is delivered to the Depositary an opinion of counsel for the Issuer in the United States, addressed to the Depositary and in a form reasonably satisfactory to the Depositary, to the effect that the offering and sale of such Shares is exempt from, or does not require registration under, the provisions of the Securities Act or any other applicable laws.

The forgoing description of the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement. A current copy of the Rights Agreement will be mailed by the Issuer to any Owner without charge, within five (5) business days following receipt by the Issuer of a written request therefor in writing.

16. **RECORD DATES.**

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which date shall be the same date, to the extent practicable, as the record date for the Deposited Securities or if different, as close thereto as practicable (a) for the determination of the Owners of Receipts who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof or (ii) entitled to give instructions for the exercise of voting rights at any such meeting, or (b) on or after which each American Depositary Share will represent the changed number of Shares, or (c) for any other matter, subject to the provisions of the Deposit Agreement.

17. **VOTING OF DEPOSITED SECURITIES.**

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities, if requested in writing by the Issuer, the Depositary shall, as soon as practicable thereafter, mail to the Owners of Receipts a notice, the form of which notice shall contain (a) such information as is contained in such notice of meeting, (b) a statement that the Owners of Receipts as of the close of business on a specified record date will be entitled, subject to any applicable provision of Hong Kong and Cayman Islands law and of the Memorandum and Articles of Association of the Issuer, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given, including an express indication that, if the Depositary does not receive instructions, such instructions may be given or deemed given in accordance with the last sentence of this paragraph to the Depositary to give a discretionary proxy to a person designated by the Issuer. Upon the written request of an Owner of a Receipt on such record date, received on or before the date established by the Depositary for such purpose (the "Instruction Date"), the Depositary shall endeavor, in so far as practicable to vote or cause to be voted the amount of Shares or other Deposited Securities represented by the American Depositary Shares evidenced by such Receipt in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions or deemed instructions. If no instructions are received by the Depositary from any Owner with respect to any of the Deposited Securities represented by the American Depositary Shares evidenced by such Owner's Receipts on or before the date established by the Depositary for such purpose, the Depositary shall deem such Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Issuer with respect to such Deposited Securities and the Depositary shall give a discretionary proxy to a person designated by the Issuer to vote such Deposited Securities; provided,

that no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which the Issuer informs the Depository (and the Issuer agrees to provide such information as promptly as practicable in writing) that (x) the Issuer does not wish such discretionary proxy given, (y) substantial opposition exists or (z) such matter materially and adversely affects the rights of holders of Shares.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the Instruction Date to ensure that the Depository will vote the Shares or Deposited Securities in accordance with the provisions set forth in the preceding paragraph.

**18. CHANGES AFFECTING DEPOSITED SECURITIES.**

In circumstances where the provisions of Section 4.3 of the Deposit Agreement do not apply, upon any change in nominal value, change in par value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation, or sale of assets affecting the Issuer or to which it is a party, any securities which shall be received by the Depository or a Custodian in exchange for or in conversion of or in respect of Deposited Securities shall be treated as new Deposited Securities under the Deposit Agreement, and American Depository Shares shall thenceforth represent, in addition to the existing Deposited Securities, if any, the new Deposited Securities so received in exchange or conversion, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depository may, and shall at the Issuer's request, execute and deliver additional Receipts as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

**19. LIABILITY OF THE ISSUER AND DEPOSITARY.**

Neither the Depository nor the Issuer nor any of their respective directors, officers, employees, agents or affiliates shall incur any liability to any Owner or Beneficial Owner of any Receipt, if by reason of any provision of any present or future law or regulation of the United States, the People's Republic of China or any other country, or of any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the Memorandum and Articles of Association of the Issuer, or by reason of any provision of any Securities issued or distributed by the Issuer, or any Offering or distribution thereof or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depository or the Issuer shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of the Deposit Agreement or Deposited Securities it is provided shall be done or performed; nor shall the Depository or the Issuer or any of their respective directors, officers, employees, agents or affiliates incur any liability to any Owner or Beneficial Owner of a Receipt by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of

the Deposit Agreement it is provided shall or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement. Where, by the terms of a distribution pursuant to Sections 4.1, 4.2 or 4.3 of the Deposit Agreement, or an offering or distribution pursuant to Section 4.4 or 4.5 of the Deposit Agreement, or for any other reason, such distribution or offering may not be made available to Owners of Receipts, and the Depository may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depository shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse in each such case without liability to the Issuer or the Depository.

Neither the Issuer nor the Depository nor any of their officers, employees, agents or affiliates assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or Beneficial Owners of Receipts, except that the Issuer and the Depository agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith, provided, however, that in the case of actions taken or omitted pursuant to Section 4.5 of the Deposit Agreement, the Depository undertakes to perform its obligations without gross negligence, bad faith or willful misconduct. The Depository shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depository nor the Issuer shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the Receipts, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense and liability shall be furnished as often as may be required, and the Custodian shall not be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depository. Neither the Depository nor the Issuer shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or Beneficial Owner of a Receipt, or any other person believed by it in good faith to be competent to give such advice or information. The Depository shall not be liable for any acts or omissions made by a successor depository whether in connection with a previous act or omission of the Depository or in connection with any matter arising wholly after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises the Depository performed its obligations without negligence or bad faith while it acted as Depository. The Depository shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith. The Issuer agrees to indemnify the Depository, its directors, employees, agents and affiliates and any Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to, the fees and expenses of counsel) which may arise out of any registration with the Commission of Receipts, American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States



or out of acts performed or omitted, in accordance with the provisions of the Deposit Agreement and of the Receipts, as the same may be amended, modified or supplemented from time to time, (i) by either the Depository or a Custodian or their respective directors, employees, agents and affiliates, except for any liability or expense arising out of the negligence or bad faith of either of them, or (ii) by the Issuer or any of its directors, employees, agents and affiliates. No disclaimer of liability under the Securities Act of 1933 is intended by any provision of the Deposit Agreement.

20. **RESIGNATION AND REMOVAL OF THE DEPOSITARY.**

The Depository may at any time resign as Depository under the Deposit Agreement by written notice of its election so to do delivered to the Issuer, such resignation to take effect upon the appointment of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. The Depository may at any time be removed by the Issuer by 90 days prior written notice of such removal, which shall become effective upon the later to occur of the (i) 90<sup>th</sup> day after delivery of the notice to the Depository or (ii) the appointment of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. Whenever the Depository in its discretion determines that it is in the best interest of the Owners of Receipts to do so, it may appoint a substitute or additional custodian or custodians.

21. **AMENDMENT.**

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Issuer and the Depository without the consent of Owners and Beneficial Owners in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners of Receipts, shall, however, not become effective as to outstanding Receipts until the expiration of thirty (30) days after notice of such amendment shall have been given to the Owners of outstanding Receipts. Every Owner of a Receipt at the time any amendment so becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner of any Receipt to surrender such Receipt and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

22. **TERMINATION OF DEPOSIT AGREEMENT.**

The Depository shall at any time at the direction of the Issuer terminate the Deposit Agreement by mailing notice of such termination to the Owners of all Receipts then outstanding at least ninety (90) days prior to the date fixed in such notice for such termination. The Depository may likewise terminate the Deposit Agreement by mailing notice of such termination to the Issuer and

the Owners of all Receipts then outstanding if at any time ninety (90) days shall have expired after the Depository shall have delivered to the Issuer a written notice of its election to resign and a successor depository shall not have been appointed and accepted its appointment as provided in the Deposit Agreement. On and after the date of termination, the Owner of a Receipt will, upon (a) surrender of such Receipt at the Corporate Trust Office of the Depository, (b) payment of the fee of the Depository for the surrender of Receipts referred to in Section 2.5 of the Deposit Agreement and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by the American Depositary Shares evidenced by such Receipt. If any Receipts shall remain outstanding after the date of termination, the Depository thereafter shall discontinue the registration of transfers of Receipts, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depository shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for Receipts surrendered to the Depository (after deducting, in each case, the fee of the Depository for the surrender of a Receipt, any expenses for the account of the Owner of such Receipt in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges). At any time after the expiration of one year from the date of termination, the Depository may sell the Deposited Securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it thereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of Receipts which have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depository with respect to such net proceeds. After making such sale, the Depository shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Issuer under Section 5.8 of the Deposit Agreement and to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depository for the surrender of a Receipt, any expenses for the account of the Owner of such Receipt in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). Upon the termination of the Deposit Agreement, the Issuer shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depository under Sections 5.8 and 5.9 of the Deposit Agreement.

**23. DISCLOSURE OF INTERESTS.**

Notwithstanding any other provision of the Deposit Agreement, each Owner and Beneficial Owner agrees to comply with requests from the Issuer pursuant to applicable law or the Memorandum and Articles of Association to provide information, inter alia, as to the capacity in which such Owner or Beneficial Owner owns American Depositary Shares (and Shares as the case may be) and

regarding the identity of any other person(s) interested in such American Depositary Shares (and Shares, as the case may be) and the nature of such interest and various other matters, whether or not they are Owners or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the reasonable written request of the Issuer and at the expense of the Issuer, any such written request from the Issuer to the Owners and to forward, as promptly as practicable, to the Issuer any such responses to such requests received by the Depositary. If the Issuer requests information from the Depositary, the Custodian or the nominee of either, as the registered owner of the Shares, the obligations of the Depositary, Custodian or such nominee, as the case may be, shall be limited to disclosing to the Issuer the information contained in the register.

24. **COMPLIANCE WITH U.S. SECURITIES LAWS.**

Notwithstanding anything in the Deposit Agreement or this Receipt to the contrary, the Issuer and the Depositary each agrees that it will not exercise any rights it has under the Deposit Agreement to prevent the withdrawal or delivery of Deposited Securities in a manner which would violate the U.S. securities laws, including, but not limited to, Section I.A.(1) of the General Instructions to the Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

25. **SUBMISSION TO JURISDICTION; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS.**

The Issuer hereby (i) irrevocably designates and appoints CT Corporation System, 111 Eighth Avenue, 13<sup>th</sup> Floor, New York, New York 10011, in the State of New York, as the Issuer's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Issuer in any such suit or proceeding. The Issuer agrees to deliver, upon the execution and delivery of the Deposit Agreement, a written acceptance by such agent of its appointment as such agent. The Issuer further agrees to take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment in full force and effect for so long as any American Depositary Shares or Receipts remain outstanding or this Agreement remains in force. In the event the Issuer fails to continue such designation and appointment in full force and effect, the Issuer hereby waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to the Issuer at its address last specified for notices hereunder, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

26. **ARBITRATION.**

In the event the Depositary is advised that a judgment of a United States court may not be recognized, the following provisions shall apply:

(i) Any controversy, claim or cause of action brought by any party or parties hereto against any other party or parties hereto arising out of or relating to the Deposit Agreement shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(ii) The place of the arbitration shall be the City of New York, State of New York, United States of America, and the language of the arbitration shall be English.

(iii) The number of arbitrators shall be three, each of whom shall be disinterested in the dispute or controversy, shall have no connection with any party thereto, and shall be an attorney experienced in international securities transactions. Each party shall appoint one arbitrator and the two arbitrators shall select a third arbitrator who shall serve as chairperson of the tribunal. If a dispute, controversy or cause of action shall involve more than two parties, the parties shall attempt to align themselves in two sides (i.e., claimant and respondent), each of which shall appoint one arbitrator as if there were only two parties to such dispute, controversy or cause of action. If either or both parties fail to select an arbitrator, or if such alignment (in the event there is more than two parties) shall not have occurred, within sixty (60) calendar days after the initiating party serves the arbitration demand or the two arbitrators fail to select a third arbitrator within sixty (60) calendar days of the selection of the second arbitrator, the American Arbitration Association shall appoint the arbitrator or arbitrators in accordance with its rules. The parties and the American Arbitration Association may appoint the arbitrators from among the nationals of any country, whether or not a party is a national of that country.

(iv) The arbitrators shall have no authority to award damages not measured by the prevailing party's actual damages and shall have no authority to award any consequential, special or punitive damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Deposit Agreement.

(v) In the event any third-party action or proceeding is instituted against the Depository relating to or arising from any act or failure to act by the Issuer, the Issuer hereby submits to the personal jurisdiction of the court or administrative agency in which such action or proceeding is brought.

**27. UNCERTIFICATED AMERICAN DEPOSITARY SHARES; DTC DIRECT REGISTRATION SYSTEM.**

Notwithstanding anything to the contrary in the Deposit Agreement:

(a) American Depositary Shares may be certificated securities evidenced by Receipts or uncertificated securities. The form of Receipt annexed as Exhibit A to the Deposit Agreement summarizes the terms and conditions of, and will be the prospectus required under the Securities Act of 1933 for, both certificated and uncertificated American Depositary Shares. Except for those provisions of the Deposit Agreement that by their nature do not apply to uncertificated American Depositary Shares, all the provisions of the Deposit Agreement shall apply, mutatis mutandis, to both certificated and uncertificated American Depositary Shares.

(b) (i) The term "deliver", or its noun form, when used with respect to American Depositary Shares, shall mean (A) book-entry transfer of American Depositary Shares to an account at The Depository Trust Company, or its successor ("DTC"), designated by the

person entitled to such delivery, evidencing American Depositary Shares registered in the name requested by that person, (B) registration of American Depositary Shares not evidenced by a Receipt on the books of the Depository in the name requested by the person entitled to such delivery and mailing to that person of a statement confirming that registration or (C) if requested by the person entitled to such delivery, delivery at the Corporate Trust Office of the Depository to the person entitled to such delivery of one or more Receipts.

(ii) The term “surrender”, when used with respect to American Depositary Shares, shall mean (A) one or more book-entry transfers of American Depositary Shares to the DTC account of the Depository, (B) delivery to the Depository at its Corporate Trust Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (C) surrender to the Depository at its Corporate Trust Office of one or more Receipts evidencing American Depositary Shares.

(c) American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York.

(d) The Depository shall have a duty to register a transfer, in the case of uncertificated American Depositary Shares, upon receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in subsection (f) below). The Depository, upon surrender of a Receipt for the purpose of exchanging it for uncertificated American Depositary Shares, shall cancel that Receipt and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares that the surrendered Receipt evidenced. The Depository, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in subsection (f) below) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging them for certificated American Depositary Shares, shall execute and deliver to the Owner a Receipt evidencing the same number of certificated American Depositary Shares.

(e) Upon satisfaction of the conditions for replacement of a Receipt that is mutilated, lost, destroyed or stolen, the Depository shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form unless otherwise requested by the Owner.

(f) (i) The parties acknowledge that the Direct Registration System (“DRS”) and Profile Modification System (“Profile”) shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depository may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depository to the Owners entitled thereto. Profile is a required feature of DRS

which allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register such transfer.

(ii) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in subsection (i) above has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.3 and 5.8 of the Deposit Agreement shall apply to the matters arising from the use of the DRS. The parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile System and in accordance with the Deposit Agreement shall not constitute negligence or bad faith on the part of the Depositary.

This is a translation of the original contract written in Chinese and is for reference purpose ONLY.

Contract No.: TongDiChuZi [2007] 052

## Contract on the Assignment of the Use Right of State-Owned Land

### Chapter I General

**Article 1** Parties to the Contract:

Assignor: **Nantong Municipal Bureau of State-owned Land and Resources**

Assignee: **Ctrip Information Technology (Nantong) Co., Ltd**

The Contract is executed on a fair, voluntary, non-gratuitous, honest and faithful basis by both Parties in accordance with *P.R.C Law of Land Administration*, *P.R.C Law of Urban Real Estate Administration*, *P.R.C Contract Law* as well as other laws, administrative regulations and local rules and regulations.

**Article 2** The Assignor shall assign the land use right as per the authorization by law. Ownership of the land assigned belongs to the People's Republic of China. The State has jurisdiction, administrative power, other power granted to the State by the applicable P.R.C. laws and in addition, indispensable interests for the sake of public interests. Underground resources, objects buried underground and municipal public works are excluded from the scope of the assignment of the land use right.

### Chapter II Delivery of the Land under Assignment and Payment of Assignment Fee

**Article 3** The land parcel assigned to the Assignee by the Assignor is numbered **C0752** and located at **the west side of Tongsheng Street and north side of Xinghu Street (Nengda Central Business District F-02-03, F-02-04, D-10-01, D-10-02)**, covering a total area of **Forty Seven Thousand and Thirty One Point Forty Seven** square meters (**47031.47**sqm); the area of the land under assignment is the same as the land parcel. For the coordinate of metes and bounds as well as the boundary marks, please refer to the attachment "Setting-out Plan of the Assigned Land Parcel".

**Article 4** The land parcel under assignment under the Contract is for the purpose of **commercial office (value-added telecommunication business) use**.

**Article 5** The assignment of the land use right under the Contract is subject to a term of **40 years** from the date of actual land delivery by the Assignor.

**Article 6** The assignment fee for the land parcel is **One Thousand** Yuan per square meter (**1,000**Yuan), totaling **Forty Seven Million Thirty One Thousand Four Hundred and Seventy** Yuan (**47,031,470** Yuan).

**Article 7** The Assignee shall effect payment of **Seven Million** Yuan (**7,000,000** Yuan) as the down payment for the fulfillment of the Contract to the Assignor before **Jan 7, 2008**. The down payment shall be used to offset the assignment fee.



**Article 8** The Assignee agrees to make payment of the aforementioned assignment fee prior to the following deadline:

Phase 1 RMB **Forty Million Thirty One Thousand Four Hundred and Seventy** Yuan (**40,031,470**Yuan). Time of Payment: prior to **February 28, 2008**.

**Article 9** The Assignee agrees to transfer the obligation of physical delivery stipulated by the Contract to the **Management Committee of Nantong Economic and Technological Development Zone**. The Assignee shall enter into a separate contract with the **Management Committee of Nantong Economic and Technological Development Zone** on such issues as the specific time of land delivery and land conditions to be met.

### **Chapter III Development, Construction and Utilization of Land**

**Article 10** The Parties involved shall carry out on-site verification of the boundary markers at all boundary points according to the coordinate shown by the "Setting-out Plan of the Assigned Land Parcel". The Assignee shall provide proper protection for the boundary markers, unauthorized movement of which is prohibited. In case the boundary markers are damaged or moved, the Assignee shall immediately report in writing to the Assignor and apply for a survey for the restoration of the boundary markers.

**Article 11** For new buildings constructed by the Assignee within the land parcel stipulated by the Contract, the nature of the main constructions, the nature of affiliated buildings, floor and area ratio, building density as well as height limits shall meet the Key Points of Planning and Design for Land Parcels F-02-03, F-02-04, D-10-01, D-10-02 at Nengda Central Business District

**Article 12** The Assignee agrees to carry out the following construction works along with all the others within the land parcel specified in the Contract and hand them over at no consideration to the government: **to be executed as per the requirements of the planning.**

**Article 13** The Assignee agrees that the construction work shall commence before **September 30, 2008**, and complete before **March 30, 2011**. Upon completion, the Assignee shall apply for an inspection on the completed work.

Application for a delay in construction shall be made 30 days in advance. The delay shall not exceed one year. Upon the consent of the Assignor, the deadline for project completion and date of inspection and delivery may be extended accordingly.

**Article 14** All facilities in relation to water, gas, wastewater involved in the construction within the land parcel carried out by the Assignee as well as main pipelines, electric substation interface and led-in engineering work from outside of the land parcel shall be operated in accordance with relevant regulations.

The Assignee agrees to allow various pipelines built by the government for public utility purposes to lead in/out, pass through or across the land parcel. The Assignee agrees to ensure right of way for the neighboring land around the land parcel.

**Article 15** Upon full payment of the land-use right assignment fee as agreed in the Contract, the Assignee, using the Contract and the receipt for the payment of assignment fee, shall apply to the Assignor for land registration and receive the *Certificate for the Use of State-owned Land* to obtain the use right of the assigned land.

The Assignor shall complete, in accordance with law, the registration process for the Assignee with regard to their land use right for assignment and issue the *Certificate for the Use of State-owned Land* to the Assignee within 30 days from the date of accepting the application for land registration.

**Article 16** The Assignee must make proper and lawful use of land and may not conduct within the land parcel any activity that poses damage or destruction to the surrounding environment or facilities. The Assignee shall compensate for any loss caused by such activity to the State or others.

**Article 17** Within the term of assignment, the Assignee must utilize the land as per the purposes and conditions of land use specified in the Contract. The following procedure must be followed in case of any alteration to the purposes and conditions for land use specified in the Contract: obtaining consent from the competent administration departments of urban planning and the Assignor; going through relevant procedures of approval in accordance with the law; signing the Agreement on the Modification to the Contract on the Assignment of the State-Owned Land Use Right or entering into a new contract thereof; adjusting the assignment fee accordingly; and completing the registration for the alteration to the purposes of land use.

**Article 18** The government reserves the right of urban planning adjustment over the land parcel under the Contract. In case of any alteration made to the planning for the use of the original land, existing buildings in the land parcel will not be affected. Nevertheless, rebuilding, renovation or reconstruction of the buildings or attached objects within the term of use, or the application for a renewal of the contract upon expiration of the term must comply with the prevailing planning.

**Article 19** The Assignor shall not recover the land use right that the Assignee acquired in accordance with the law before the expiration of the Contract term. Under special circumstances, the Assignor may, based on the requirements of social public interests, recover the right before the expiration of the term of use in compliance with the relevant legal procedures and shall offer corresponding compensation to the Assignee based on the value of the buildings and other attached objects within the land parcel at the time of the recovery, and the price of the land use right for the remaining term of use.

#### **Chapter IV Transfer, Lease and Mortgage of the Land Use Right**

**Article 20** The Assignee is entitled to transfer, lease or mortgage, fully or partially, the land use right under the Contract provided that the Assignee has made full payment of the assignment fee, received the *Certificate for the Use of State-owned Land* and obtained the land use right assigned. Nevertheless, in the first transfer (including the sale, exchange and gift transfer) of the land use rights for the remaining term of use, the Assignee shall have the Assignor confirm that the following conditions have been fulfilled: investment

**and development are made in accordance with the Contract; above 25% of the total investment in the development has been completed; no buildings constructed in the land parcel shall be partially transferred and no buildings shall be partially transferred in the form of disguised sale.**

**Article 21** The parties involved in the transfer or mortgage of the land use right shall enter into a written contract for the transfer or mortgage; a written contract for leasing the land use right shall be signed by and between the lessor and the lessee in case the term of lease exceeds six months.

The land use right transfer, mortgage and lease contract shall not breach the laws and regulations of the State or the stipulations of this Contract.

**Article 22** With the transfer of the land use right, the rights and obligations specified in the Contract and in the registration documents shall be thereby transferred. The land user who has acquired the land use right by means of the transfer thereof shall have a term of use which is the remainder of the term specified in the Contract on assignment of the land use right minus the number of the years in which the original land user has used the land. After the lease of land use right in part or in full, the rights and obligations specified in the Contract and in the registration documents shall remain imposed on the Assignee.

**Article 23** With the transfer, lease or mortgage of the land use right, the above-ground buildings and other attached objects shall thereby be transferred, leased or mortgaged; with the transfer, lease or mortgage of the above-ground buildings and other attached objects, the land use right shall thereby be transferred, leased or mortgaged.

**Article 24** In case of the transfer, lease or mortgage of the land use right, the parties involved in the transfer, lease or mortgage shall take the Contract, corresponding contract for the transfer, lease or mortgage and the *Certificate for the Use of State-owned Land* to the land administration department to apply for land registration within 30 days after the signing date of the corresponding contract.

#### **Chapter V Expiration of the Term**

**Article 25** The land user may apply for a renewal of the land use right under the Contract when the specified term expires. The application for renewal shall be made no less than one year prior to the expiration of the term of use. Upon the consent of the Assignor to such a renewal, the Assignee shall go through the formalities stipulated by the law for the compensatory use of the land, sign a new contract for the compensatory use of the land with the Assignor, and pay the fee for the assignment of the land use right.

**Article 26** In case no application for renewal is made by the Assignee upon expiration of the term of land assignment, or the application is made but failed in accordance with Article 25 of the Contract, the Assignee shall return the *Certificate for the Use of State-owned Land* and the Assignor shall recover the land use right on behalf of the State and cancel the registration of the land use right in accordance with related regulations.

**Article 27** In case no application for renewal is made by the Assignee upon expiration of the term of land assignment, the Assignor shall, on behalf of the State, recover without compensation the land use right, above-ground buildings and other attached objects that are specified in the contract. The Assignee shall maintain the normal functions of the above-ground buildings and other attached objects and no sabotage is allowed. The Assignor may call on the Assignee to remove or demolish the above-ground buildings and other attached objects to restore the surface of the land.

**Article 28** In case the application for renewal by the Assignee upon expiration of the term of use is denied by the Assignor in accordance with the Article 25 of the Contract, the Assignor shall, on behalf of the State, recover the land use right without compensation and, offer corresponding compensation to the Assignee for the above-ground buildings and other attached objects based on their remaining value at the time of the recovery.

#### **Chapter VI Force Majeure**

**Article 29** Neither Party shall be held responsible in case of failure to fulfill, fully or in part, the Contract due to force majeure. Nevertheless, necessary remedial actions shall be made where possible by both Parties to reduce the loss caused by force majeure. No exemption from responsibility shall be applied to delayed fulfillment of the Contract by the Parties involved.

**Article 30** Either Party that encounters force majeure shall notify the other Party of the event in writing by such means as mail, telegram, telefax or facsimile within 72 hours and submit to the other Party a report on the reason(s) for the inability to fulfill the Contract partially or fully or for delayed fulfillment of the Contract within 7 days after such force majeure occurred.

#### **Chapter VII Responsibility for Breach of the Contract**

**Article 31** The Assignee must make payment of the assignment fee on time as agreed in the Contract. In case of failure to pay the assignment fee on time, the Assignee shall pay the Assignor an overdue fine which is 1‰ of the delayed amount on a daily basis as of the due date of payment. In case the delay in payment exceeds 6 months, the Assignor shall be entitled to terminate the Contract and recover the land use right. The Assignee is not entitled to claim back the down payment, whereas the Assignor may demand compensation from the Assignee for other losses due to the breach of the Contract.

**Article 32** Failure of the Management Committee of Nantong Economic and Technological Development Zone to deliver the land as agreed after the Assignee's payment of the assignment fee as agreed in the Contract shall be resolved in accordance with the stipulations in land delivery contract.

**Article 33** The Assignee shall carry out development and construction in accordance with the Contract. In case the construction is postponed for one year from the agreed date of commencement, the Assignor shall be entitled to impose a "idle land fee" on the Assignee amounting to 10% of the total assignment fee; in case the construction is postponed for two years, the Assignor shall be entitled to recover the land use right at no consideration, with the exception of postponement in development due to force majeure, activities of relevant government departments or necessary preliminary work before the development.

In case the Assignee has started construction at the agreed date under Article 13 of the Contract, whereas the area of development and construction accounts for less than 1/3 of the total area of construction, or the amount invested accounts for less than **25%** of the total amount of investment, or in the event of unauthorized suspension of the development and construction for one straight year, the land shall also be deemed idled and the Assignor shall be entitled to impose the idle land fee on the Assignee.

**Article 34** In case the Assignee ceases to invest in and construct the project due to its own reasons, thus requesting termination of the Contract and applying to return the land to the Assignor, the Assignor shall obtain approval from the People's Government or government office that formerly approved the land assignment scheme, then return, in accordance with the agreements hereinafter where applicable, partially or fully the assignment fee except the down payment agreed in the Contract and recover the land use right at no consideration for the buildings and structures already constructed within the land parcel. The Assignor may also call on the Assignee to remove the existing buildings and structures to restore the surface of the land.

(1) In case the application is made by the Assignee to the Assignor no less than 60 days before date of one year from the date of start of construction agreed in the Contract, the Assignor shall, after withholding the down payment, return the assignment fee already paid by the Assignee;

(2) In case the application is made by the Assignee to the Assignor after one year but no less than 60 days before the date of two years from the date of construction commencement as agreed in the Contract, the Assignor shall, after withholding the down payment agreed in Article 7 of the Contract and imposing the idle land fee under Article 33 of the Contract, return the remaining assignment fee that has been paid to the Assignee.

**Article 35** In case that the land for construction becomes idle as a result of reduced scope of investment in the project due to the Assignee's own reasons, provided that the land is divisible for use and can be reused for development and construction, the Assignee may make an application for returning the corresponding area of land for construction to the Assignor 90 days before the completion of the project. With approval by the People's Governments at county and municipal levels, the Assignor and the Assignee shall enter into an agreement for the modification of the Contract on the Assignment of the land use right, with the Assignor recovering the use right of the corresponding land and returning, after withholding the proportion of down payment, the assignment fee to the Assignee.

**Article 36** In case the Assignee fails to commence construction at the date agreed in the Contract, or a date for delayed construction is otherwise agreed, the Assignee shall pay the Assignor a penal sum that equals **0.5%** of the total assignment fee; in case such delay causes idleness of land, an idle land fee shall also be paid by the Assignee in accordance with Article 33 of the Contract.

**Article 37** The Assignee, given that an application for postponed completion and the payment of the penal sum are made, shall be allowed to postpone the completion for one year at most, with the exception of failure to complete the project on schedule due to force majeure or activities of relevant government departments. In case the completion is postponed for a time that is no more than half a year, the Assignee shall pay a penal sum that equals **0.15%** of the total assignment fee for each day of the postponement; in case the completion is postponed for an accumulated time that is more than half a year but no more than one year, the Assignee shall pay a penal sum that equals **0.2%** of the total assignment fee for each day of the postponement. In case the Assignee fails to complete the construction of the project and apply for inspection and acceptance of the completion by the date agreed in the Contract, or a date for delayed construction is otherwise agreed, the Assignee shall pay the Assignor a penal sum that equals **0.5%** of the total assignment fee for each day of the postponement.

#### **Chapter VIII Notification and Explanation**

**Article 38** Communication and notification required or allowed by the Contract, regardless of the means of delivery, shall be valid upon actual receipt.

**Article 39** In case of any alternation to the notification, mailing address, bank of deposit or account number, the Party involved shall notify the other party of the new address, bank of deposit or account number within 15 days after such alternation. The default Party shall be held responsible for any loss to the other Party due to any delay in notification.

**Article 40** The Assignor shall be obligated to answer any questions raised by the Assignee concerning this Contract before the execution of the Contract.

#### **Chapter IX Applicable Laws and Resolution of Disputes**

**Article 41** The conclusion, validity, interpretation, fulfillment as well as the resolution of disputes related to the Contract shall be governed by the laws of People's Republic of China.

**Article 42** Disputes arising from the performance of the Contract shall be resolved by both Parties through negotiation. If negotiation fails, a lawsuit shall be brought to the People's Court.

#### **Chapter X Supplementary Articles**

**Article 43** The scheme of land parcel assignment under the Contract has been approved by the People's Government of Nantong; the Contract shall become effective as of the date of execution by both Parties.

**Article 44** The Contract is prepared in six originals with equal binding force, and each of **the Assignee, the Assignor and the Management Committee of Nantong Economic and Technological Development Zone shall keep two copies.**

**Article 45** The Contract and attachment contain **10** pages in total, and Chinese version shall prevail.

**Article 46** The amounts and areas in this Contract shall be stated in both numbers and in words, which shall be consistent with each other. In case of inconsistency, the amount stated in words shall prevail.

**Article 47** The land delivery contract between the Assignee and **the Management Committee of Nantong Economic and Technological Development Zone** shall be signed in parallel with this Contract.

**Article 48** For issues not covered in this Contract, a separate agreement shall be made between the two parties through negotiation and shall constitute the attachment to, and have the same legal effect with this Contract.

Assignor: (Seal of Nantong Municipal Bureau of State-owned Land and Resources )      Assignee: (Seal of Ctrip Information Technology (Nantong) Co., Ltd.)

Legal Representative: /s/

(Authorized Agent)

(signature)

Tel:

Date: February 25, 2008

Legal Representative: /s/

(Authorized Agent)

(signature)

Tel: 0513-83595005

021-34064880-11031

**Certification by the Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Min Fan, Chief Executive Officer of Ctrip.com International, Ltd. (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2008

By: /s/ Min Fan

Name: Min Fan

Title: Chief Executive Officer



**Certification by the Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jane Jie Sun, Chief Financial Officer of Ctrip.com International, Ltd. (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2008

By: /s/ Jane Jie Sun

Name: Jane Jie Sun

Title: Chief Financial Officer

**Certification by the Chief Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Ctrip.com International, Ltd. (the "Company") on Form 20-F for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Min Fan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2008

By: /s/ Min Fan

Name: Min Fan

Title: Chief Executive Officer

**Certification by the Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Ctrip.com International, Ltd. (the "Company") on Form 20-F for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jane Jie Sun, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2008

By: /s/ Jane Jie Sun  
Name: Jane Jie Sun  
Title: Chief Financial Officer

[Maples and Calder letterhead]

Our ref    NPB/302248/14162659v1  
Direct tel    +1 345 814 5211  
Email        nick.bullmore@maplesandcalder.com

Ctrip.com International, Ltd.  
No. 99 Fu Quan Road  
Shanghai 200335, People's Republic of China

24 April 2008

Dear Sirs,

**Re: Ctrip.com International, Ltd. (the "Company")**

We consent to the reference to our firm under the heading "Taxation" in the Company's Annual Report on Form 20-F for the year ended December 31, 2007, which will be filed with the Securities and Exchange Commission in the month of April 2008.

Yours faithfully,

/s/ Maples and Calder

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Maples and Calder

[Letterhead of Commerce & Finance Law Offices]

April 29, 2008

Ctrip.com International, Ltd.  
No. 99 Fu Quan Road  
Shanghai 200335, People's Republic of China

Dear Sirs:

We consent to the reference to our firm under the headings "Key Information — Risk Factors," "Information on the Company — Business Overview — PRC Government Regulations" and "Major Shareholders and Related Party Transactions — Related Party Transactions" in Ctrip.com International, Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2007, which will be filed with the Securities and Exchange Commission in the month of April 2008.

Yours faithfully,

/s/ Commerce & Finance Law Offices  
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Commerce & Finance Law Offices

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-136264, No.333-116567 and No. 333-146761) and Form F-3 (No. 333-145161) of Ctrip.com International, Ltd. of our report dated April 29, 2008 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company  
Shanghai, PRC  
April 29, 2008