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CTRP - Q4 2012 Ctrip.com International, Ltd. Earnings Conference Call

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## OVERVIEW:

CTRP reported 4Q12 diluted earnings per ADS of \$0.22 and diluted earnings per ADS, excluding share-based compensation charges, of \$0.35. Expects 1Q13 net revenue to grow approx. 15-20% YonY.



## CORPORATE PARTICIPANTS

**Lin Zhang** *Ctrip.com International Ltd - IR*

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

**Jane Jie Sun** *Ctrip.com International Ltd - COO*

**James Jianzhang Liang** *Ctrip.com International Ltd - Chairman of the Board*

**Jenny Wenjie Wu** *Ctrip.com International Ltd - CFO*

## CONFERENCE CALL PARTICIPANTS

**Fei Fang** *Goldman Sachs - Analyst*

**Andy Yeung** *Oppenheimer & Co - Analyst*

**Richard Ji** *Morgan Stanley - Analyst*

**Jiong Shao** *Macquarie - Analyst*

**Michael Olson** *Piper Jaffray - Analyst*

**Ming Zhao** *86 Research - Analyst*

**Alex Yao** *Deutsche Bank - Analyst*

**Aaron Kessler** *Raymond James - Analyst*

**Alicia Yap** *Barclays Capital - Analyst*

**Eddie Leung** *Bank of America Merrill Lynch - Analyst*

**Fawne Jiang** *Brean Capital - Analyst*

**Wendy Huang** *CIMB - Analyst*

**Tian Hou** *T.H. Capital - Analyst*

**Muzhi Li** *Citigroup - Analyst*

**Ada Yu** *CICC - Analyst*

## PRESENTATION

### Operator

Good day ladies and gentlemen, welcome to the Q4 and full year 2012 Ctrip.com International earnings conference call. My name is Denise and I'll be your event manager today. (operator instructions). We will be accepting questions at the end of the conference. (operator instructions). Now I would like to turn the presentation over to your host for today's call, Lin. Please proceed.

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**Lin Zhang** - *Ctrip.com International Ltd - IR*

Thank you Denise. Thank you for attending Ctrip's first fourth quarter and the full year 2012 earnings conference call. Joining me on the call today we have Mr. James Liang, Chairman of the Board, Mr. Min Fan, President and the Chief Executive Officer, Ms. Jane Sun, Chief Operating Officer and Ms. Jenny Wu, Chief Financial Officer.

We may during this call discuss our future outlook and performance which are forward-looking statements made under the Safe Harbor Provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our results



may be materially different from the views expressed today. A number of potential risks and uncertainties are outlined in Ctrip's public filings with the Securities and Exchange Commission. Ctrip does not undertake any obligation to update any forward looking-statements except as required and applicable law.

Min, Jane, James and Jenny will share our business update, operating highlights, strategic views and our financial performance for the fourth quarter and the full year 2012 as well as the outlook for the first quarter of 2013. We will also have a Q&A session toward the end of this call. With that, I will turn to Min for our business update.

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

Thanks Lin and thank you to everyone for joining us on the call today. In the fourth quarter of 2012, Ctrip delivered solid results. Net revenues grew by 19% year-over-year, at the high end of our Q4 net revenue guidance. For the full year of 2012 Ctrip's net revenue grew 19%. We are pleased to see strong volume growth of 36% in our hotel business in the fourth quarter. The travel market in China is growing at a rapid pace and the competition in the market is intense. Last year, our competitors expanded coupon program from hotels to air ticketing business and recently to a larger scale. Ctrip is embracing the challenges proactively and is beginning to extend our leadership and gain market share in China.

Our strategy is to drive forward. We will continue to offer the best products with the best service at the best pricing to the travelers in China. We will execute our price matching strategy to ensure that our customers can ensure the most competitive prices. Meanwhile, we will continue to enhance our product offerings and customer service, invest in effective marketing channels and elevate the technology, especially for mobile and other platforms.

We will work with our business partners to build a healthy industry ecosystem and provide the best value to customers. Therefore, we will further enhance our open platform by partnering with different players including various kinds of inventory supplies and marketing channel owners. This open platform strategy allows Ctrip to leverage its advantages in service quality, brand name, technology and operational efficiency to benefit both customers and partners.

In 2012, Ctrip stepped up investments in a number of new products to meet needs of travelers in different segments. These new investments ranged from our international air ticket and hotel booking platforms, to more independent businesses like [tujia.com](http://tujia.com), [songguo.com](http://songguo.com), [lvping.com](http://lvping.com) and [HHtravel](http://HHtravel.com). We are pleased that these new businesses have achieved good results in products, IT and team building. We will continue our efforts in new business developments and further strengthen our leadership.

Extending our services to mobile is our strategic focus and investment priority. In the fourth quarter Ctrip wireless reached over 20 million downloads. Over 10% of hotel transactions were conducted through mobile channels. As the industry leader, we also launched the first Ctrip sponsored content for mobile entrepreneurs in December 2012 to encourage and help innovative players to develop mobile travel apps. This will help attract more mobile travelers.

In 2012, we increased investment in sales and marketing through the price matching coupon program and various marketing campaigns. We have seen accelerated gains in market share and deep penetration. In 2013 we will start to launch the coupon program in air ticketing business and will roll out varieties of promotions across the main products. Meanwhile, we will direct more efforts towards online marketing to optimize our sales channels. We have partnered with the leading players in multiple channels, including search engine, social media, online video, e-commerce and many other interfaces. Our marketing efforts, together with offering the best products and services, have won the recognition and trust of our customers.

In October, Ctrip was awarded the most reliable customer brand 2012 on the China Industry (inaudible) Leaders' Summit. We believe unparalleled service quality is one of the key drivers for continued success. The Ctrip service center has won the Golden Headset Award for the best contact center in China for five years. In 2012 we won an even more outstanding recognition with a Golden Headset China lifetime achievement award.

We are also proud to share with you that for the first time Ctrip won the World Travel Market Globe award in recognition for our contribution to China's travel and tourism industry in 2012. Also in [December] Ctrip once again ranked as one of the top 20 China tourism groups, evaluated by



the China Tourism Academy. All these awards demonstrate great recognition of our efforts and contribution to the China travel industry and we will continue to maintain our high standards.

Now I will turn to Jane for the operating highlights.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks Min. Thanks everyone. We are pleased with the development of Ctrip's major business lines. With the largest domestic and international hotel network in China, Ctrip has further extended its hotel coverage over the past quarter. By the end of 2012 our domestic hotel supply network covered over 48,000 hotels, which doubled the hotel coverage of a year ago. Internationally, our hotel coverage extended to over 200,000 hotels in more than [170 countries] through cooperation with business partners and direct connections with multiple international leading hotel groups.

We achieved strong volume growth of 36% year-over-year in the fourth quarter. Our Smart Choice hotel channel is now one year old and it is becoming a unique hotel booking option among the leisure travelers. By the end of the fourth quarter, songguo.com has reached 10,000 hotel coverage. Our group buy model has viewed a strong momentum as a complimentary product offering for cost sensitive travelers and has become an effective marketing channel for our hotel partners.

Our air ticketing group worked hard to offer competitive prices to Ctrip customers. In the fourth quarter of 2012, Ctrip launched various air ticketing promotions. In 2013, we will be more proactive in the pricing strategy and make sure that our air ticketing prices are the most competitive in the market. We will launch the coupon program for air ticketing business. Our goal is to offer good price to our customers while maintaining high level of the services. We believe this will bring good value to our customers and will enhance our leadership in this segment.

In 2012 we kicked off our new international air ticketing booking platform and expanded our partners with international players. This will enable us to offer more international air ticketing products to Chinese travelers, with more promotions and competitive prices. The international air ticketing volume grew over 50% year-over-year in the fourth quarter.

Our packaged tour business delivered solid results in the fourth quarter. The revenue from mainland China grew over 40% year-over-year. With worldwide resources and outstanding service capability, we offer Chinese travelers the most comprehensive travel packages. During the October national holiday in the fourth quarter, we saw a record volume in our packaged tour business. We are very pleased to see that our team has demonstrated their capability in accommodating the search of customer demand with the high level of the services.

Ctrip's corporate travel services has once again achieved strong growth by gaining more market share. We see great potential in more Chinese companies proactively managing their travel expenses by leveraging our corporate management services.

We continuously invest in our technology in order to improve our online and offline operational efficiency. Our online booking ratio was over 50% in the fourth quarter. 2012 was a challenging year for us on many fronts. Ctrip team has once again demonstrated strong execution throughout all business lines. We will work hard to bring the best value to our customers and our partners in coming years.

Now I will turn to James for his strategic views of our business.

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**James Jianzhang Liang** - *Ctrip.com International Ltd - Chairman of the Board*

Thanks Jane. China's regional market is growing rapidly. To capture the opportunities in this segment, Ctrip is allocating more resources to ensure that we offer the best prices in the market, coupled with the best products and services. We believe that Ctrip has the best combination of IT infrastructure, ownership, customer base and a financial stream to further enhance our leadership.

Meanwhile, healthy and sustainable growth needs strong technology support and Ctrip is accelerating our technology investment in the online and mobile platforms. Our target is to become the leading technology driven company servicing travelers from China and worldwide.

Now I will turn to Jenny for the financial update.

**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

Thanks James. Thanks everyone. For 4Q 2012 Ctrip's total revenue was up 18% year-on-year and decreased 6% Q-on-Q. Hotel reservation revenues were up 17% year-on-year, primarily driven by an increase of 36% in hotel reservation volumes and partially offset by a decrease of 14% in commission per room night. The decrease of commission per room night was primarily due to e-coupon offered to customers.

Hotel reservation revenues increased by 2% Q-on-Q. Air ticketing business revenue for 4Q increased 18% year-on-year, driven by increase in air ticket volumes and the revenue decreased by 7% Q-on-Q primarily due to seasonality. For packaged tours, the revenue for 4Q were up 27% year-on-year due to the increase of air travel volume. Packaged tour revenue decreased by 26% Q-on-Q primarily due to seasonality. Corporate travel revenue for 4Q were up 22% year-on-year and 6% Q-on-Q, primarily driven by an increased corporate travel demand from business activities.

For 4Q net revenues for Ctrip were up 19% year-on-year and decreased by 6% Q-on-Q. Gross margin was 74%, down two percentage points year-on-year and Q-on-Q. Product development expenses increased 53% year-on-year and 9% Q-on-Q, primarily due to an increase in product development personnel related expenses and share based compensation charges. Excluding share based compensation charges, product development expenses accounted for 21% of net revenue versus 16% a year ago and 18% a quarter ago.

Sales and marketing expenses for 4Q increased 52% year-on-year, primarily due to an increase in sales and marketing related activities and personnel related expenses. Sales and marketing expenses for 4Q decreased by 7% Q-on-Q primarily due to a decrease in sales and marketing related activities. Excluding share based compensation charges, sales and marketing expenses accounted for 24% of net revenue versus 19% a year ago and 25% a quarter ago.

General and administrative expenses for 4Q increased 24% year-on-year, primarily due to an increase in administrative personnel, share based compensation charges and incremental turnover tax due to the new value added tax reform. General and administrative expenses for 4Q increased by 1% Q-on-Q. Excluding share based compensation charges, general and administrative expenses accounted for 8% of net revenue versus 6% a year ago and remain consistent Q-on-Q.

Income from operations for 4Q decreased 48% year-on-year and 37% Q-on-Q. Excluding share based compensation charges, income from operations decreased 28% year on year and 22% Q-on-Q. Operating margins was 11% for 4Q versus 25% a year ago and 16% in the previous quarter. Excluding share based compensation charges, operating margin was 21% versus 35% a year ago and 25% a quarter ago. The effective tax rate for 4Q was 25% versus 23% in the same period of 2011 and 24% in 3Q, primarily due to the increase in the amount of non-tax deductible share based compensation charges as a percentage to our income before income tax percentage as a whole.

Net income attributable to Ctrip shareholders for 4Q decreased 24% year-on-year and 1% Q-on-Q. Excluding share based compensation charges net income attributable to Ctrip shareholders decreased 12% year-on-year and increased 1% Q-on-Q.

Diluted earnings per ADS for 4Q was \$0.22. Excluding share based compensation charges diluted earnings per ADS were \$0.35. As of December 2012 the balance of cash and cash equivalents, restricted cash and short term investment were \$899 million.

I will now talk about the business outlook. For first quarter 2013 we expect to continue the net revenue growth year-on-year at a rate of approximately 15% to 20%. This forecast reflects Ctrip's current and preliminary review which is subject to change.

Regarding the share buy back as of January 31st 2013 Ctrip had purchased approximately 17.5 million ADS in aggregate with a total consideration of \$299 million under three existing share repurchase plan adopted in 2008, 2011 and 2012.

With that, operator please open the line for questions. Thank you.

## QUESTIONS AND ANSWERS

### Operator

(operator instructions). Your first question comes from the line of Fei Fang from Goldman Sachs. Please proceed.

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### Fei Fang - Goldman Sachs - Analyst

Hi, Jane and Jenny, thanks for taking my question. The first question is on air ticketing rebate. Can you let us know the rationale behind launching the program as well as how much resources Ctrip plans to allocate to this? Thank you.

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### Jane Jie Sun - Ctrip.com International Ltd - COO

Sure. The reason for us to launch the air ticketing rebate is mainly due to a few reasons. First of all externally we have seen the industry and the market have grown very rapidly and yet Ctrip's market share is very small. So in this fast growing market Ctrip is very determined to extend our leadership through different strategies including our pricing strategy, our product strategy, IT strategy. So this cash rebate is one of the measures we have to take in order to rapidly grow our market share.

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### Fei Fang - Goldman Sachs - Analyst

Okay, understood. So in terms of resources is there any guidance or visibility on how much Ctrip could potentially allocate to this?

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### Jane Jie Sun - Ctrip.com International Ltd - COO

I think the guidance that we give for the first quarter has already taken into consideration of the impact of the cash rebate for the first quarter. As we move forward into Q2 and beyond we will be able to give you more detailed guidance going forward as we have more visibility but whatever it takes for us to gain market share we will do it but meanwhile I think since we have already seen quite a lot of experience last year through the coupon program for hotel I think we will study each line very carefully to make sure every dollar we spend will generate the best return for our Company and for our shareholders.

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### Fei Fang - Goldman Sachs - Analyst

Understood. Last question, can management discuss your mobile strategy for 2013, meaning how should we model the cost and benefit of your mobile investment and how do you think the competition will evolve on mobile devices? Thank you.

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### Min Fan - Ctrip.com International Ltd - President and CEO

Yes, I think for Ctrip mobile platform last year we released a mobile one-stop platform, that means that we have a series of mobile apps but our main official mobile apps, we have more than 20 million downloads. That means we are a high leader in this field and I think right now the mobile, or the transactions generated from the mobile apps, we're satisfied for the outcome of this mobile strategy platform. I think we will continue to give high priority in the development of mobile apps as well as building the back end supporting systems to ensure the seamless booking experience and I think right now in the market, Ctrip's mobile app is one of the hot apps used by customers in the market and our wireless app won in 2012 the award for innovative service apps in China Internet Industry Summit.

So in this year we will continue to invest more in this field and we will try to acquire more and more market share.

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**Fei Fang** - Goldman Sachs - Analyst

Thank you very much.

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

Thank you.

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**Jane Jie Sun** - Ctrip.com International Ltd - COO

Thanks.

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**Operator**

Your next question comes from the line of Andy Yeung from Oppenheimer. Please proceed.

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**Andy Yeung** - Oppenheimer & Co - Analyst

Hi, good morning. Thank you for taking my questions. My question is also a follow-up question on the ticketing promotions. When you look at the competitive landscape over the last couple of quarters is there anything that changed that would make you decide you really need to do the coupon promotions for ticketing?

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**Jane Jie Sun** - Ctrip.com International Ltd - COO

Our marketing strategy is very carefully thought of and it's evolving every day based on the market condition and we believe that the market is growing so rapidly that for Ctrip, who has very small market share at this moment, the cash rebate program is one of the measures we have to take to close the gap on the pricing and to extend our leadership into the market. So it's an evolving process.

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**Andy Yeung** - Oppenheimer & Co - Analyst

I see and is the rebate program directly related to, you know, the way rebate coupons can be used for air ticket or can it also be used for hotels? Just when we look at your commission rate for air ticketing and for hotels there's a significant difference between what you get in commissions for air tickets and hotels. So there seems to be less room for coupon rebates in the air ticketing programs. If you can elaborate on that a little bit?

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**Jane Jie Sun** - Ctrip.com International Ltd - COO

Sure, sure. I think the reason we launched the coupon is because Ctrip has a comprehensive product offering. So we can offer more choices through this coupon program. So we definitely are open for cross selling across a broader line and we have designed programs so that every dollar we spent for the coupon program will generate the best return overall for our business portfolio.

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**Andy Yeung** - Oppenheimer & Co - Analyst

Okay, got it and if I can, just one housekeeping question, there is a significant increase in the other income line. Can you give us some idea if that is government related subsidies?

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**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

Sure. Below the operating income there is two major factors to increase net income. One is the other income which is primarily the government subsidy and in 4Q we received quite a lot but usually the timing and the amount that we can get would depend on the government's decision which is beyond our control. The second part is the non-controlling interest and because we made a lot of investment in recent years some of them they are still at the loss making stage and in 4Q probably you heard from the news we completed certain financing for one of our subsidiaries and as a result we will share the -- we will attribute part of this loss to minority stakeholders and that's why it impacts our net income.

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

Got it, okay, thank you.

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**Operator**

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

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**Richard Ji** - *Morgan Stanley - Analyst*

Hi, Min, James, Jane and Jenny. Good morning and congrats on the strong--

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Good morning.

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**Richard Ji** - *Morgan Stanley - Analyst*

Morning, hi -- and congrats on the strong topline growth. I have two questions and first of all, given you have been several quarters into the coupon promotion program for the hotel booking system and we are obviously seeing very strong recovery or rebound in the hotel booking volumes. Can you comment on the margin trend in the hotel booking business? Are we seeing margin stabilization for the time being?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks, Richard. Yes, we do see stabilization in the margin trend. So for hotels I think we also monitor the market development very carefully to make sure our pricing stays strong compared to all the other players in the market.

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**Richard Ji** - *Morgan Stanley - Analyst*

Okay, yes, thanks and secondly your package tour business has been one of the bright spots for your growth. Should we be worried about spillover of a price war into the packaged tour business and also can you give us a little more color on the split between domestic package tours versus overseas portion?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Sure. The spill over for package tour is not going to materially impact our business because relative to the other business line package tours still is very small and there are very few players in the market who offer similar products with Ctrip. So the impact is not material.



Secondly, domestic versus overseas, in terms of volume it's about 60% overseas. In terms of revenue it can become about 60% to 70% of the total package tours. So overseas definitely grows very fast.

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**Richard Ji** - *Morgan Stanley - Analyst*

Great, that's helpful. Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks.

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**Operator**

Your next question comes from the Jiong Shao from Macquarie.

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**Jiong Shao** - *Macquarie - Analyst*

Good morning. Thank you very much for taking my questions. I have two as well. The first question is on your guidance, in the past you have given out the segment guidance in terms of revenues. I was hoping you can do the same for Q1 and also could you talk about your guidance for the operating margins? I think Jane mentioned stabilization for the operating margins for Q1, I was wondering do you have a specific range? That's my first question, thank you.

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**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

Okay, sure. For the hotel for 1Q the volume may grow 25% to 35%. The price -- the ADR for hotels may decline 5% year-on-year which is mainly due to our (inaudible) penetration into lower star hotels and lower tier cities. For the commission, nominal commission rate were largely flattish and e-coupon impact will be around 10% to 15%. So revenue will grow about 10% to 15%.

For air ticketing volume growth will be 15% to 20%. Both the price and the commission rate were large flattish and the revenue growth 15% to 20%. For packaged tours total revenues may grow 25% to 30% and for the corporate travel, its growth will be largely in line with the air ticketing business, which is 15% to 20%. So for Ctrip totally our top line will grow about 15% to 20%.

For the operating margin, as Jane just mentioned we see e-coupon on hotel business stabilized in 4Q and for 1Q we expect a similar situation. But 1Q usually is a weaker season and so we usually see slight margin decline Q-on-Q. So we will try our best to make sure 1Q's margin will be largely similar to 4Q, which is 20% to 21%. That's the best visibility we have so far and I understand that people always want us to give a full year guidance but actually when we look at the market and look at the competition situation it's quite dynamic and our visibility for the rest of the year is limited.

So we believe it will be in investors' best interest if we can guide the more realistic level when we've got clear pictures later. So going forward we made guide this on the (inaudible) basis. For Ctrip, people usually know we are very decisive to invest for our futures and on the other hand we also have very tight cost control, we are very disciplined. We will make sure we will continue to do that to avoid lifting any (inaudible). So we will try our best. Thank you.

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**Jiong Shao** - *Macquarie - Analyst*

Okay, great, thank you. That's extremely helpful, thank you and my second question is on the competition side. I think earlier Min mentioned that one of your OTA competitors launched air ticketing coupons a couple of quarters ago, now you are on the offence also. Could you talk about the



current competitive dynamic between you and your leading OTA competitor, and also talk about the e-commerce guys, the vertical search guys, and the e-commerce platform, where you think the greatest of threat to you may be? Thank you.

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

Yes, I think the competition landscape right now there's no very big difference from last quarter and for Ctrip, I think Ctrip is still positioned -- very unique positioning in the market. I should say Ctrip is the only OTA that has one-stop full service for no matter business travelers or leisure travelers. If you compare other OTAs probably they will just do a product line which we enjoy and for example even where (inaudible) on the hotel side.

So I think if you compare OTAs Ctrip has the most comprehensive product offerings, most sophisticated operating system, and advanced IT infrastructure to service our customers. Also we have our content website and also we have our full suite of mobile apps. So I think for Ctrip we are really a kind of one-stop solution for any leisure or business travelers; they want to find a one-stop solution Ctrip was the best place for them to use and if you talk about the vertical search engine, I should say vertical search engine normally they will -- just like a platform to just exhibit very medium to small travel companies and they list their products there.

The service experience is not the same and the after sales probably not so guaranteed. The quality not so guaranteed. So I think for customers, if Ctrip can provide the best price as well as other search engines or other OTAs definitely Ctrip is the best place to shop around.

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**Jiong Shao** - *Macquarie - Analyst*

Okay, thank you very much for the comments.

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

Thank you.

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**Operator**

Your next questions comes from the line of Mike Olson, from Piper Jaffray. Please proceed.

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**Michael Olson** - *Piper Jaffray - Analyst*

Good morning. I think you said that mobile was 10% of hotel bookings in the quarter and as China online travel continues to take share from offline how important is mobile to furthering that transition and how much do you expect mobile will be of hotel bookings for the entire year for 2013?

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

Yes, I think last year we already see our mobile booking volume account for more than 10% of our total hotel transaction volume. So for this year I'm sure there will be still very fast and strong growth in this field since we have a strong team for mobile apps -- for mobile app design and (inaudible) space and also I should say Ctrip wireless app is one of the first travel mobile apps to support LBS services and voice recognition.

Our team continues upgrades to the platform and enrich the contents to provide very good quality services based on our mobile customers feedback and booking habits. So definitely we are very confident that Ctrip still will be a (inaudible) leader in this field in the market.

**Michael Olson** - *Piper Jaffray - Analyst*

Okay and then I wanted to ask you about travel meta-search. Travel meta-search is a fast growing category in the US and Europe and can you just talk about how you expect travel meta-search to grow or not grow in China and why you think that and how would growth of a travel meta-search sites impact Ctrip?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Sure. I think every company has its strength. Travel meta-search definitely has its convenience for the users. But we believe that in order for a customer to have full services, price searching is one part of the required services. After the search of the price somebody needs to do a good job to do the fulfillment cycle and that cycle is very well handled by Ctrip.

If you look at the US market which presents the future for the China market as well, travel meta-search KAYAK does a very good job in price searching. But compared to Expedia and also Bookings their site and the service they can provide relatively is smaller. Recently I think they also teamed up with Bookings. Everyone has its strengths and everyone provides the value to the consumers but we believe the OTA model still is the most comprehensive model for the users. If you look at the more developed countries that has been proven to be the model so far.

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**Michael Olson** - *Piper Jaffray - Analyst*

Okay thanks very much.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks.

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**Operator**

Your next question comes from the line of Ming Zhao from 86 Research. Please proceed.

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**Ming Zhao** - *86 Research - Analyst*

Thank you. So a follow up question on the margin. You're talking about flat margins from Q4 to Q1 however you know you're going to report a lower top line Q-on-Q. You're also going to apply your ticketing coupon. So how can you maintain a flattish operating margin? Is it because you're cutting hotel coupon rate further or are you cutting marketing expense? Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

For Q1 our margin guidance reflects the impact of the coupon program. We will do it in a couple of ways. First of all I think through the Q1 coupon program on the revenue per ticket perspective it will have a decrease but we will work very hard to make sure the volume will partially offset that impact. Secondly, internally we will also work very hard to make sure our operation is as effective as possible. So I think for Q1 the guidance has reflected everything we can see so far.

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**Ming Zhao** - *86 Research - Analyst*

Thank you.



**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Sure.

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**Operator**

Your next question comes from the line of Alex Yao from Deutsche Bank.

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**Alex Yao** - *Deutsche Bank - Analyst*

Hi. Good morning everyone and thank you very much for taking my questions. My first question is on the investment side. In the previous calls you mentioned that the investment in 2012 would cause about four percentage point margin impact. How would you review the achievement so far from these investments and how do you guys think about investment in 2013? What could be the financial impact? Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Investment in the product line and also in technology is an ongoing effort. So we will maintain a certain level of the investment. In 2012 we have invested in many new products and each line of business has been delivering the results, meeting our expectations. So we're very positive in their outgrowth. In 2013 we will still maintain a certain level of the investment. That has been taking into consideration of the guidance Jenny has given to everyone.

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**Alex Yao** - *Deutsche Bank - Analyst*

Got it. Thank you. Second question is a follow up on the air ticket cash rebate. Based on our estimate your ticket volume is more than 15 times bigger than the second largest OTA in China given such a big difference. From which party or from which channel would you expect it to gain volume from by offering air coupons? Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Yes I think air ticketing coupons is one of the strategies we (inaudible). We believe in order to extend our leadership every branch needs to stay strong including our product comprehensiveness, including our IT technology team, including our product and pricing. The coupon will give us a leap on the pricing but we also need to make sure our product is the most comprehensive which we (inaudible) have an advantage in the market because we are the only platform which offers ticket hotel package tour corporate travel and many other services. So if we have a comprehensive solution coupled with the air ticketing coupon we believe our competitive advantage will be extended.

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**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

Leisure travel and online travel is growing at a very robust speed and we would consider -- continue to see this fast growth in 2013. We also see the continued offline to online migration. So that's one part and we will see the [home] market sides will continue to expand. Secondly for Ctrip our market share in the market is still rather small. We would expect to -- we can proactively to -- embrace the market opportunity to gain more market share from our front.

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**Alex Yao** - *Deutsche Bank - Analyst*

Thank you very much.

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**Operator**

Your next question comes from the line of Aaron Kessler from Raymond James. Please proceed.

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**Aaron Kessler - Raymond James - Analyst**

Yes thank you, a couple of a questions. Firstly just to clarify on the air revenue growth, I believe you said 15% or 20% but then I believe you also said volume growth of roughly 15% to 20%. So can you just clarify -- I mean it doesn't sound like there's an impact from the coupon in the guidance for Q1 unless I missed something.

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**Jenny Wenjie Wu - Ctrip.com International Ltd - CFO**

Sure well air ticketing for 1Q both volume and revenue growth will be around 15% to 20% and you were right; the air ticketing coupon impact in 1Q would be limited. As Jane just mentioned we were very methodically to design the whole marketing campaign and to fine-tune our tactics in the coverage and the marketing tools according to the market conditions. For 1Q the impact was limited. For the rest of the year we worked to adjust and fine-tune based on the market situation.

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**Aaron Kessler - Raymond James - Analyst**

Okay and just a follow up question in terms of the air coupons also. I mean the hotel commission rates are much greater than the air commission rates for you and so there's probably more of an incentive for consumers to opt for the lower price in their hotels whereas they probably wouldn't save much on an air coupon. So just maybe if you can talk about is a rebate on an air coupon of just a few dollars -- is that enough to really gain further market share on air whereas hotel may be more compelling?

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

Again I think just having a cash coupon is not enough to compete in the market. Ctrip's competitive advantage has to be in service, pricing, products, IT and branding. All these five items are very important for us. So coupons is one of the measures that will be taken by us to leap forward in the market.

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**Aaron Kessler - Raymond James - Analyst**

Great and just a final question -- can you talk a little about the wholesale pricing environment? We were hearing -- I guess some of the hotels it sounds like pulled out of companies that were offering wholesale prices on other websites.

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

Yeah first of all wholesale price only represents a very small portion of the hotel volume in the market. So that's very limited. Secondly, if the price is lifted online and if it is legal and supported by the hotels, Ctrip as the largest OTA should be able to get it for our customers. Thirdly, if the price is not supported by the hotel or it is not legal then hotel will discipline all the players in the market to create a very healthy ecosystem and Ctrip is very much in support of hotels' initiatives.

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**Aaron Kessler - Raymond James - Analyst**

Great thank you.



**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Sure.

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**Operator**

Your next question comes from the line of Alicia Yap from Barclays. Please go proceed.

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**Alicia Yap** - *Barclays Capital - Analyst*

Hi, good morning. Thanks for taking my questions. So my first question is actually a follow up on the air. I know that you said probably 1Q will be more limited but I just wanted to get a sense; what will be your tactic for example. Are you going to follow your competitors like from route to route matching dollar to dollar like the one that you did on the hotel coupon site? Then for -- the other thing is that will airline -- what are the airline deals on the OTA doing the discounting? Would that be impacting your direct sales and how will airline react on that? That's my first question.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Sure for ticket I think we will study each line very carefully. Some of the routes probably selling well, it doesn't take too much effort to sell. Some of the routes might take some efforts to promote. We will work with airlines to make sure the sales and marketing campaign we are putting into these markets will help airlines as well as help our customers to best utilize all the capabilities in the airline routes. So we will make sure we work with all the partners to develop our strategy.

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**Alicia Yap** - *Barclays Capital - Analyst*

So does that mean that airlines is actually supporting on you guys doing air couponing?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

We will of course work with all our business partners when we develop our marketing strategy.

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**Alicia Yap** - *Barclays Capital - Analyst*

Okay and then when you say 1Q is more limited so does that mean from time to time if things are escalating you probably will increase your (inaudible) of the discount? Does that mean probably to us the rest of the year we may see a further margin decline if that is the case?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

So first of all our priority is very clear. Market growth fast -- future market share is very small. So in this fast growing market our priority is extend our leadership into the market. Secondly when we do the detailed execution we will be very prudent to make sure everything we design will create the best value for our Company and for shareholders.

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**Alicia Yap** - *Barclays Capital - Analyst*

I see. Then my second question very quickly is on recently there were some comments that you laid off some sales (inaudible) employees. So what exactly happened there? Is that true and is that so you are actually moving more the marketing campaign to online channel with the shift of online bookings that is happening? And if there's any plan for you to actually cut down your call center employees at all?

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

Okay I think, in fact, in the past years we always study our sales channels -- study the efficiency of different kinds of sales channels including marketing channels. Reducing sales presence in some airports is our consistent effort to optimize the return on investment of sales marketing. As we continue to evaluate the efficiency of these marketing channels, we will allocate our resources to more effective ones.

So that's why you may know that we -- later in the last half of last year we adjusted some offline channels in some airports. While we are becoming more dominating in the online business travel segment, our focus right now is to penetrate more into the leisure travel market. So with that we will allocate more resources to the channels which can generate more effective return such as online channels, such as some efficient marketing channels. So I think it's an ongoing process for us to [market] our return on investment of sales marketing channels.

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**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

I'll just add to that -- and we notice that there's a lot of false comments in the news about how we handled the layoff. We care and appreciate our employees very much due to being our corporate culture. We helped most employees to relocate to other departments internally based on their talent and experience and we also made a decent compensation to our sacked employees which are in a totally lawful and considerate way.

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**Alicia Yap** - *Barclays Capital - Analyst*

Okay can I just quickly follow up on the call center employees? So given more and more bookings shifting online do you have any plans to be more efficient on that line?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Yes, call center is still a very important part of our business. The growth on the call center volume still grows very strongly so yeah the volume of our hiring still matches our growth in volume.

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

Yeah and also I think for call centers still in the market there are still some people who are very you know -- very easy to use call center or very -- they would like to choose offline service. So for this type of customers Ctrip definitely is the number one and the best service company the market. So that's why we still have no call center service in the -- whilst our core competence to attract our type of customers.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Also the customers who are using call centers are very high end users based on our study. So we will provide the best service for them.

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**Alicia Yap** - *Barclays Capital - Analyst*

Okay. Great thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks.

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**Operator**

Your next question comes from the line of Eddie Leung from Merrill Lynch. Please proceed.

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**Eddie Leung** - *Bank of America Merrill Lynch - Analyst*

Hi. Good morning. Thank you for taking my questions. I basically have two questions. The first one is a follow up question on your hotel couponing program. Could you give us an update on the hotel partnership as well as the customer redemption rate? Are we seeing stabilization and uptrend or a downtrend?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Yes Eddie. The trend is stabilizing. So we are monitoring the trend very carefully but so far, as we discussed, our guidance has reflected the hotel couponing is stabilizing.

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**Eddie Leung** - *Bank of America Merrill Lynch - Analyst*

Got it. Then my second question is also a follow up question on your strategies on air ticketing (inaudible). It's pretty interesting to hear that you guys are focusing on market share gain. So we understand that Ctrip already being number one in the [industry]. Are those (inaudible) market share because they (inaudible)? But (inaudible) are we anticipating any change in the commission rate structure of the airlines which would put a bigger focus on the market share of the distributors?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

So far commission is stabilizing so we do not see any changes.

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**Eddie Leung** - *Bank of America Merrill Lynch - Analyst*

Okay thank you very much.

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**Operator**

Your next question comes from the line of Fawne Jiang from Brean Capital.

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**Fawne Jiang** - *Brean Capital - Analyst*

Good morning. Thank you for taking my questions. First one is actually a quick follow up the air couponing program. Just wondering what's the official timing of launching the program? Secondly, regarding the coupon program, I guess, will customers who have coupons or getting coupons through their hotel booking -- I guess will that coupon be applied to your air program or is air coupon program will be very separate from your hotel coupon program?



**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Sure. First of all timing, I think we are still designing and completing the program but very much likely to be after the Chinese New Year when the market grows. Secondly, in terms of the cross sale link yes, definitely I think we take into consideration of the comprehensiveness of our product. So we will use all our strengths in different products to make sure the coupon program will generate the best returns for our overall revenue; not only air ticket but also hotel but also packaged tours. So when we design it we'll use many smart ways to design our coupon program.

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**Fawne Jiang** - *Brean Capital - Analyst*

Got it. Thanks Jane. Second question is actually regarding your margin. I do understand we're probably early in the year and there's still a lot of moving parts but I just wonder compared with your 2012, out of the major lines that have impacted your margins in 2012 where we may potentially see some step up on the cost side or where we may potentially see some leverage or saving. Just some color around that in terms of like margin direction, that would be very helpful.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

I think as we discussed, Q1 margin guidance has taken into consideration of everything we can see so far and when we move forward into Q2 and Q3 as the business has been evolving I will have better visibility and will give you more detailed margin guidance at that time.

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**Fawne Jiang** - *Brean Capital - Analyst*

Got it. Thank you very much.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks.

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**Operator**

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

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**Wendy Huang** - *CIMB - Analyst*

Thank you. First I have a follow up on the air ticketing coupon impact. Historically you provide very detailed quantitative analysis on the hotel coupons impact on the margin side and how you will recognize those impacts. I just wonder, by the time that we have fourth quarter impact from the air coupon program, how will that recognition be different from the hotel coupon program and also how will the larger impact on the growth level and operating level? Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

So in terms of content, the treatment will be similar to hotel coupon. In terms of the impact, in terms of dollar amount, again as we discussed before, Q1 number is already included in our guidance and going forward, Q2 and Q3, we need to wait until we get a bit better visibility and give you a very detailed guidance as we always do going forward. So we need to get more visibility before we can give you more detailed guidance on the margin.

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**Wendy Huang** - *CIMB - Analyst*

Okay. Second question, among the third party air ticketing booking platforms, who do you consider as the major competitors? I don't really think Elong is a major competitor in this arena right now. So who are those guys? Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

I think the market is so fragmented. I think because Ctrip are focused on our own strategy, there are many players who can always grow but in terms of competitive advantage. Because Ctrip not only have air ticketing business, also have hotel and a package tour, I think as the user getting onto Ctrip's platform will enable them to do one stop shopping plus they're a high quality of the service, plus the reliability of the pricing and the product.

So overall we believe if we keep up with our strong execution, we have very good advantage to leap forward. But obviously the market grows so fast. I think all the players will enjoy their growth.

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**Wendy Huang** - *CIMB - Analyst*

Right. Actually, Jane, I'm just referring to the third party air ticketing platforms, seeing as you have more than 10% volume share in the total air ticketing market. I just wonder among third party guys, is any of them actually taking maybe 2% to 5% volume share based on your observation?

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Because we -- in terms of the OTA market there are only two companies who are publicly listed. So this information is readily available, everyone can read it. All the other companies' information, you know, we don't have official data so probably you know as well as we do for the official numbers.

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**Wendy Huang** - *CIMB - Analyst*

Okay. Finally, I remember that three years ago when you just started to expand into the low-end hotel and low-tier cities, you set up Starway Hotel Alliance. However I noticed last year you actually sold a majority stake of that company to (inaudible). So I just wonder what has changed in your extension into the low-end hotels that has made you to sold a company that you shadow from the beginning to affiliated company? Thank you.

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

For Starway Alliance, this is in fact it's a kind of a marketing alliance association organization and it's mainly operating within the -- around three star hotels, this kind of level and since Ctrip briefly will have many things to handle and we are focused very much on our core business. So we spin off this company and we hope we can focus more on our mainstream business line. But for the budget hotel site and also for the middle scale hotel site for 2012, the hotel bookings brought in from these product lines we see very healthy growth and also very strong growth. So that means for the years past, we have very good [trackage] on this field.

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**Wendy Huang** - *CIMB - Analyst*

Okay. Thank you very much.

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**Operator**

Your next question comes from the line of Tian Hou from T.H. Capital.

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**Tian Hou - T.H. Capital - Analyst**

Yes. I have two questions. The first one is about your share account and the fully diluted phases. I saw some increase, you know, from Q2 to Q4 levels and would you please elaborate the detailed changes, where the net gain is, you know, where does the decrease come from. So that would be very helpful for me.

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**Jenny Wenjie Wu - Ctrip.com International Ltd - CFO**

There is two parts. First one, we purchase back shares aggressively so it decreases the share count by roughly three million. And on the other hand, in fourth quarter -- in late third quarter, we issued a CB and the underlying shares associated with the CB is about 9.3 million and based on a GAAP requirement, which should be treated as if converted basis. So these 9.3 million shares, ADRs, should be back into the calculation of liability ADRs.

And so this will imply about 6% to 7% of dilution. And as of the 4Q we have about 145 million ADRs and I think we can use that like the baseline for 1Q and 2013.

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**Tian Hou - T.H. Capital - Analyst**

Okay. That's very helpful. The second question is do you really -- you know, I tried to get some clarification for your air ticketing rebate program. So I really want to understand how that worked and so a lot of, you know, the rebate program attached to your flight information on your website, a lot of them. So you're saying even though there are a lot of, you know, attached rebate, you're not actually using it in Q1? So if you start to use it, how you going to -- how is it going to, you know, volume and the revenue still the same growth, I really can't get the math right and, you know, I need some help on that front.

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

Sure. As you have seen the hotel coupon program, when we issued a coupon volume will have a pick up. So volume will increase quite a lot which will be partially offset by the decrease on the per hotel commission basis. So the impact on the revenue is a dynamic formula which takes into consideration of the increase of the volume and decrease on the per room night income.

So we are hoping when we render coupon we set our priority to take market share. On the other hand, I think we will also carefully design a program so that the revenue gets the best return, our overall revenue portfolio.

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**Tian Hou - T.H. Capital - Analyst**

So that is for the air ticketing? So if you book one ticket, for example, if it's a RMB1,000 ticket you get RMB40 in commission, then your rebate programs, like RMB80 to RMB101 do you actually have a net loss? So how could you -- at the end the volume growth still in line with your revenue growth in the airline, you know, front?

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

So again we're still designing our program. Of course, when the final program comes out, the end result has been taken into consideration of the revenue growth so that we don't have a negative revenue. But on the other hand, we also need to achieve our goal to gain market share. So the



program is still being designed and we will take into consideration the two dynamic parts to make sure the return for each dollar we spend is maximized.

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**Tian Hou** - *T.H. Capital - Analyst*

Okay. That's very helpful. Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks.

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**Operator**

And your next question comes from the line of Muzhi Li from Citigroup. Please proceed.

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**Muzhi Li** - *Citigroup - Analyst*

Hi, thank you for taking my questions. Sorry about my throat, I've had (inaudible) today. I would like to follow up about the share based compensation impact for laying on the extra capacity of workers and the share based compensation in the future quarters will be less or unchanged in terms of the total number of -- sorry, total percentage of revenues? Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Share based compensation has two elements. One is the number of the shares we grant. The second one is the valuation of the shares. The number of the shares is locked every year. So it's a steady number we can control and we control it very tightly. However, the price and also volatility of the stock were impact evaluation of the stock compensation. That number we cannot control.

So for your modeling purposes, I think a consistent number with 2012 is a reasonable estimate but, you know, nobody can control the stock price. There was some fluctuation.

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**Muzhi Li** - *Citigroup - Analyst*

I see. Thank you very much. And secondly, I would like to ask more about the air ticket coupon things because even though the air coupon program will not be available until after Chinese New Year, I already see some instant price cuts available among the major cities, like Beijing, Shanghai, Guangzhou. So would you kindly share some data to show how these instant price cuts improve the air ticket volumes or your market share gains? That'd be very helpful. Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Sure. Yes. You're very observant. We do have instant cut for certain routes and that's our test run. I think the test run obviously is successful which enables us to launch the air ticketing coupon program. So the impact on the financials for these instant cuts is already reflected in our announced the results.

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**Muzhi Li** - Citigroup - Analyst

Thank you, but again similar question from the previous analyst is if you increased the volume because of these coupons -- sorry, because of these instant price cuts and those instant price cuts offering a bigger volume -- a bigger amount than the commission you get then it is sadly negative revenues and so how does improve the total -- maintain the same level of revenue growth? Thank you.

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**Jane Jie Sun** - Ctrip.com International Ltd - COO

Yes. I think we designed the program so that overall the revenue growth will be maximized. So from route to route, the amount of the rebate and the frequency of the rebate is offered, maybe adjusted, based on the market so that the return on our overall revenue growth was maximized.

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**Muzhi Li** - Citigroup - Analyst

I see. Thank you. Forgive me, one last question. I want to congratulate you for the very great result about the mobile internet and the booking. 10% is a big number. Is the 10% included in the more than 50% of the booking online?

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

Yes.

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**Jane Jie Sun** - Ctrip.com International Ltd - COO

Yes.

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**Muzhi Li** - Citigroup - Analyst

Okay. In that case, I'm seeing that though offline booking is gradually decreasing in terms as percentage, so isn't that a fact in the -- either the top line growth as well as the margin because though I think the one big advantages of offline costs, they actually help to upsell the high margin and the high commission product versus offline that, you know, people can select anything they would like to not be in the interest of Ctrip.

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**Jane Jie Sun** - Ctrip.com International Ltd - COO

I think if you compare the two platforms, you're right. The call center customer is more high end. So on the per call basis, probably it generates a little bit higher revenue which will be offset by a little bit more costs in the labor. On our platform on the per booking per second, it might be a little bit lower but again the labor involved is a little bit less. So if you can't compare net to net margin basis, both platforms are generating similar margins.

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**Muzhi Li** - Citigroup - Analyst

I see, thank you very much.

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**Jane Jie Sun** - Ctrip.com International Ltd - COO

Thanks.

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**Operator**

Your next question comes from the line of Ada Yu from CICC. Please proceed.

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**Ada Yu - CICC - Analyst**

Hi good morning everyone, thank you for taking my question. I've just got one follow up question on air ticket rebating program and how is the Company going to allocate your capital resources in terms of this new promotional program and how much downside you're going to see in the margin side going through 2013?

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

Again, I think we have already provided the Q1 guidance. That guidance has taken into consideration the margin impact and the revenue impact for the air ticketing coupon for Q1. As we move to Q2 and beyond where we have such visibility, we will provide more detailed guidance going forward.

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**Ada Yu - CICC - Analyst**

So how about the Company resource allocations? So are you going to increase the pool that you previously mentioned about the promotional program, or are you going to stay in the same pool so that you cut apart from the hotel couponing program?

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

Yes, again, depending on the market reaction, if it is very efficient, then I think obviously we will increase it. If it's proven to be not efficient, then no matter what program you run, it's not helping us. So it's very much we will monitor the market reaction and adjust our program in order to achieve the maximum return. For hotel part, we will continue to have this pricing matching strategy.

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**Ada Yu - CICC - Analyst**

Okay, so how (inaudible) the hotel coupon program extended into 2013?

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

Yes, it's stabilizing.

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**Ada Yu - CICC - Analyst**

Is it going to 4Q? I'm sorry.

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**Jane Jie Sun - Ctrip.com International Ltd - COO**

Yes, it's stabilizing and we are monitoring the situation on a 24 hour basis, every day.

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**Ada Yu - CICC - Analyst**

Okay, thank you very much.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thanks.

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**Operator**

Your next question comes from the line of Fawne Jiang from Brean Capital. Please proceed.

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**Fawne Jiang** - *Brean Capital - Analyst*

Just one quick follow up actually on your share purchase program. I just wonder, out of your last tranche which was around \$300 million program, I just wonder how much cash is left and also for your CB, whether the money you raised has all applied in 4Q and there -- what's the commitment on the share purchase from here?

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**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

With coupon we announced a (technical difficulty) tranche of share buyback plan together the quarter is about \$15 million plus \$100 million plus \$300 million which is \$415 million. We already purchased back about \$300 million, so we still have roughly \$115 million left from the previous quarter. The one we announced, the (inaudible) CB, the primary usages for our share buyback and we have committed up to \$150 million from that. So together we still have around \$260 million under our commitment for the future share buyback.

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**Fawne Jiang** - *Brean Capital - Analyst*

Got it, thanks Jenny.

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**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

Thanks.

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**Operator**

At this time we have no further questions in the queue. I would like to turn the presentation back over to Lin for closing remarks.

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**Lin Zhang** - *Ctrip.com International Ltd - IR*

Thank you everyone for joining us on the call today. A replay of the call will be available on the IR website shortly after the call is completed. We appreciate your interest and look forward to convening with you again next quarter. Thank you.

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**Jane Jie Sun** - *Ctrip.com International Ltd - COO*

Thank you very much.

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

Thank you.



**Jenny Wenjie Wu** - *Ctrip.com International Ltd - CFO*

Thanks.

**Operator**

Thank you for your participation in today's conference. This concludes the presentation and you may now disconnect. Have a great day.

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