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FINAL TRANSCRIPT

Q4 2009 Ctrip.com International, Ltd. Earnings Conference Call

EVENT DATE/TIME: 02/03/2010 09:00 AM GMT



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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to your fourth quarter and full year 2009 Ctrip.com International Limited Earnings conference call. My name is Tanya and I will be your event manager today. (Operator Instructions). I'd now like to hand the conference over to June Zhu. Please proceed.

June Zhu *Ctrip.com International Ltd. - IR*

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

We may, during this call, discuss our future outlook and performance which are forward-looking statements made under the Safe Harbor provision of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our results may be materially different from the views expressed today. A number of potential risks and uncertainties are outlined in Ctrip's public filings with the Securities and Exchange Commission. Ctrip does not undertake any obligation to update any forward-looking statements except as required under applicable law.

Min, James and Jane will provide business update, industry outlook and financial highlights for the fourth quarter and full year 2009, as well as outlook for the first quarter of 2010. We will also have a Q&A session towards the end of this call.

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

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

Thanks June. And thanks to everyone for joining us today on the call. I'm excited to report solid results achieved by the Ctrip team in the fourth quarter and full year 2009. It marked a perfect beginning of a new era of the celebration of Ctrip's 10-year anniversary. Although the year 2009 presented everyone with many challenges, Ctrip team was able to capture the opportunities, achieve strong growth and extend our leadership in 2009.

In Q4 2009, our net revenues grew 43% year over year and net income grew 57% year over year. For the full year 2009, our net revenues grew 34% year over year and net income grew 48% year over year.

Our hotel supply network continued to expand at a rapid speed, with approximately 9,800 hotels by the end of the year 2009, compared to approximately 7,700 in 2008. The number of hotels with guaranteed allotment rooms further increased and accounted for more than 70% of



the total hotel supply.

The industry, which suffered a lot in 2008, had a better performance in the fourth quarter and full year 2009. We were able to outperform the industry growth rate in the fourth quarter, as well as for the whole year.

Our air ticket group has demonstrated strong execution capability during good and bad times. Our package tour business achieved a robust growth, due to the recovery of customer confidence and the increase of household income. Leisure travel reached a new record during the October Golden Week holiday. Our package tour offered more comprehensive products with extended geographic coverage in 2008 -- 2009.

By the end of the year 2009, Ctrip's sales and marketing team increased our cumulative customers from 6.2m by the end of the year 2008, to 8.9m. Not only has our team taken the leadership in the first-tier cities, they have further penetrated in the second-tier cities.

Our service team has always taken pride in providing our customers with a high quality of services. In 2009, Ctrip's call center has won Golden [Headset] Award for the best contact center in China. With the efforts from our call center staff, customers' loyalty has been enhanced. Repeat customers have contributed the majority of our revenue. Loyal customers' words of mouth have become a veritable sales channel for Ctrip. In the second half of 2010, our second call center in Nantong will enable us to expand our service capacity and to be well prepared for the increasing volume.

Our IT team has continued good efforts to improve the online user's experience. In the fourth quarter, we updated the user interface for hotel, air ticket and package tour business. The upgrade has made online search more effective and online booking faster and easier.

[In February] this year, Ctrip entered into an agreement with Wing On Travel to invest in 90% of its travel group. We're very pleased to have this opportunity to invest in Wing On Travel. Headquartered in Hong Kong, Wing On Travel primarily operates in Hong Kong and engages in tour packages, airline ticketing, hotel reservations and inbound and outbound travel operations. Wing On Travel operates approximately 20 branches in Hong Kong and abroad, along with a call center and a website to service travelers.

Wing On Travel is a leading travel service provider in Hong Kong and has one of the most recognized travel brands. It was awarded as the 'Best Travel Agency in Hong Kong' for four consecutive years since 2006. With 45 years in business, Wing On Travel has successfully built up a large base of loyal customers and a seasoned management team in the leisure travel market.

Through this alliance, we will be able to combine Ctrip's high technology, large base of customers and a strong domestic supply network with Wing On's extensive experience in the leisure travel market and worldwide resources. This will attract more FIT travelers from Hong Kong to use Ctrip's services. Meanwhile, it will also help us best service our high-end outbound travelers from Mainland China.

Together, this strategic alliance will offer more comprehensive products and elevated service to our customers. Ctrip and our partners are well positioned to capitalize the opportunities in the travel market in Greater China area.

Ctrip's track record on M&A has been proven prudent and value-generative for our shareholders. Each acquisition or investment that Ctrip made in the past 10 years has helped Ctrip to become the leading player for that business segment. We have the same vision for investment in Wing On Travel.

World Expo 2010 Shanghai offers Ctrip a good opportunity to boost our [spread]. As an officially recognized travel agency for the 2010 World Expo in Shanghai, we're working hard to offer hotel accommodation, air ticket [reservation], packaged ground transportation with intact guided tour, pavilion fast-pass and comprehensive online information.

Ctrip is committed to enhancing our core competency, innovating our IT platforms, elevating our service level and strengthening the partnership with our partners.

Now I will turn to James for industry outlook.

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

Thanks, Min. Recently, Chinese State Council released the guidelines to accelerate the development of travel [industry] (technical difficulty) intended to foster development of the travel industry and make it a strategic pillar of the national economy. This was the first time that the government elevated the importance of travel industry to strategic level. We believe this symbolized the new climax of the travel industry's rise in China.

China's economy is still going to be one of the fastest growing economies in the world. And particularly the travel market, but particularly the high-end travel market is going to grow even faster. Ctrip, through our organic growth and strategic investments, will become a leading player in the travel industry in Greater China. Comprehensive supply network, large and loyal customer base, cutting-edge technology platform, excellent service quality and, more importantly, our dedicated and diligent team will best position us in this fast-growing market.

Looking forward, in 2010, we are excited about our opportunities we have within the Chinese travel industry. And Ctrip will work diligently to increase the value for our customers and partners, and our shareholders.

Now I'll turn to Jane for financial updates.

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

Thanks, James. I'm very pleased to report the solid results for the fourth quarter and for the full year of 2009.

For the fourth quarter of 2009, net revenues were CNY566m or \$83m, representing a 43% increase from the same period in 2008 and a 4% increase from the previous quarter. Excluding net revenues attributable to ezTravel, net revenue were CNY546m or \$80m, representing an increase of 38% from the same period in 2008 and a 5% increase from the previous quarter.

For the full year ended December 31, 2009, net revenues were CNY2b or \$291m, representing a 34% increase from 2008. Excluding net revenues attributable to ezTravel, net revenues were CNY1.9b or \$281 for the full year of 2009, representing an increase of 29% from 2008.

Hotel reservation revenues amounted to CNY279m or \$41 for the fourth quarter of 2009, representing a 33% increase year on year and a 7% increase quarter on quarter. Excluding revenues attributable to ezTravel, Ctrip's hotel revenues were CNY275m or \$40m, representing a 31% increase year on year, primarily driven by the increase in hotel reservation volume. Excluding revenues attributable to ezTravel, Ctrip's hotel reservation revenue increased by 7% quarter on quarter, primarily driven by the increase in the commission per hotel room.

For the full year ended December 31, 2009, hotel reservation revenues were CNY956m or \$140m, representing a 25% increase from 2008. Excluding revenues attributable to ezTravel, Ctrip's hotel reservation revenue were CNY942m or \$138m for the full year of 2009, representing a 23% increase from 2008. The hotel reservation revenues accounted for 45% of total revenue in 2009, compared to 48% in 2008.

Air ticketing booking revenues for the fourth quarter of 2009 were CNY240m or \$35m, representing a 45% increase year on year and remaining consistent with those in the previous quarter. Excluding revenues attributable to ezTravel, Ctrip's air ticketing revenue were CNY233m or \$34m for the fourth quarter of 2009, representing a 41% increase year on year, primarily driven by a 33% increase in air ticketing sales volume and a 6% increase in commission per ticket year on year. Excluding revenue attributable to ezTravel, Ctrip's air ticketing revenues remained consistent with those in the previous quarter.

For the full year ended December 31, 2009, air ticket booking revenues were CNY888m or \$130, representing a 35% increase from 2008. Excluding revenue attributable to ezTravel, Ctrip's air ticketing booking revenue were CNY866m or \$127m, representing a 31% increase from 2008. The air ticketing booking revenues accounted for 42% of total revenues in 2009, remaining consistent with those in 2008.

Package tour revenue for the fourth quarter of 2009 were CNY49m or \$7m, representing a 62% increase year on year and an 11% decrease quarter on quarter. Excluding revenues attributable to ezTravel, Ctrip's package tour revenue were CNY41m or \$6m, representing a 36% increase year on year, due to the increase of the leisure travel volume and 5% decrease quarter on quarter due to the decrease of volume

caused by seasonality.

For the full year ended December 31, 2009, package tour business were CNY177m or \$26m, representing a 62% increase from 2008. Excluding revenues attributable to ezTravel, Ctrip's package tour revenue were CNY149m or \$22m, representing an increase of 37% year on year. The package tour revenue accounted for 8% of the total revenues in 2009, compared to 7% in 2008.

Gross margin was 77% in the fourth quarter of 2009, remaining consistent with that in the same period in 2008 and that in the previous quarter. For the full year ended December 31, 2009, gross margin was 77%, compared to 78% in 2008.

Product development expenses for the fourth quarter of 2009 increased by 37% to CNY88m or \$13m from the same period in 2008, an increase by 9% compared to the previous quarter, primarily due to an increase of product development personnel and share-based compensation charges. Excluding share-based compensation charges, product development expenses accounted for 13% of net revenue, compared to 14% in the same period last year and in previous quarter.

For the full year ended December 31, 2009, product development expenses were CNY308m or \$45m, representing an increase of 31% from 2008. Excluding share-based compensation charges, product development expenses accounted for 14% of net revenues, remaining consistent with those in 2008.

Sales and marketing expenses for the fourth quarter of 2009 increased by 20% to CNY98m or \$14m from the same period in 2008 and 4% from the previous quarter, primarily due to the increase of marketing-related activity. Excluding share-based compensation charges, sales and marketing expenses accounted for 16% of net revenues, decreasing from 19% in the same period last year and 17% in the previous quarter.

For the full year ended December 31, 2009, sales and marketing expenses were CNY345m or \$51m, representing an increase of 20% from 2008. Excluding share-based compensation charges, sales and marketing expenses accounted for 16% of net revenues, decreasing from 18% in 2008.

General and administrative expenses for the fourth quarter of 2009 increased by 51% to CNY62m or \$9m from the same period in 2008 and 32% from previous quarter, primarily due to an increase in administrative, personnel and share-based compensation charges. Excluding share-based compensation charges, general and administrative expenses accounted for 6% of net revenue, remaining consistent with those in the same period in 2008 and in the previous quarter.

For the full year ended December 31, 2009, general and administrative expenses were CNY196m or \$29m, representing a 14% increase from 2008. Excluding share-based compensation charges, general and administrative expenses accounted for 6% of net revenue, remaining consistent with those in 2008.

Income from operations for the fourth quarter of 2009 was CNY189m or \$28m, representing an increase of 62% from the same period in 2008 and a decrease of 5% from previous quarter. Excluding share-based compensation charges, income from operations were CNY239m or \$35m, increasing by 60% from the same period in 2008 and by 6% from the previous quarter.

For the full year ended December 31, 2009, income from operations was CNY687m or \$101m, representing an increase of 49% from 2008. Excluding share-based compensation charges, income from operations were CNY818m or \$120m, increasing by 39% from 2008.

Operating margin was 33% in fourth quarter of 2009, compared to 30% in the fourth quarter of 2008 and 37% in the previous quarter. Excluding share-based compensation charges, operating margin was 42%, compared to 38% in the fourth quarter of 2008 and 41% in the previous quarter.

For the full year ended December 31, 2009, operating margin was 35%, compared to 31% in 2008. Excluding share-based compensation charges, operating margin was 41%, compared to 40% in 2008.



Net income attributable to Ctrip's shareholders for the fourth quarter of 2009 was CNY190m or \$28m, representing a 57% increase from the same period in 2008 and a 1% increase from the previous quarter. Excluding share-based compensation charges, net income attributable to Ctrip's shareholders was CNY240m or \$35m, representing an increase of 56% from the same period in 2008 and an increase of 11% from the previous quarter.

For the full year ended December 31, 2009, net income attributable to Ctrip's shareholders was CNY659m or \$97, representing an increase of 48% from 2008. Excluding share-based compensation charges, net income attributable to Ctrip's shareholders was CNY790m or \$116m, representing an increase of 38% from previous year.

The effective tax rate for the fourth quarter of 2009 was 20%, increased from 2% in the same period of 2008, primarily because in the fourth quarter of last year, the preferential tax treatment of 15% was retroactively applied to certain PRC subsidiaries of Ctrip which obtained approval for High and New Technology Enterprise status from January 1, 2008. The effective tax rate for the fourth quarter of 2009 increased from the previous quarter, primarily due to the increase in the amount of non-taxable share-based compensation as a percentage of our income as a whole.

The effective tax rate for the full year ended December 31, 2009, was 17%, compared to 19% in 2008, primarily due to the decrease in amount of non-taxable share-based compensation as a percentage of our income as a whole.

Diluted earnings per ADS were CNY1.32 or \$0.19 for the fourth quarter of 2009. Excluding share-based compensation charges, diluted earnings per ADS were CNY1.66 or \$0.24.

For the full year of December -- for the full year ended December 31, 2009, diluted earnings per ADS were CNY4.67 or \$0.68, compared to CNY3.23 or \$0.47 in 2008. Excluding share-based compensation charges, diluted earnings per ADS were CNY5.60 or \$0.82, compared to CNY4.16 or \$0.61 in 2008.

As of December 31, 2009, the balance of cash, restricted cash and short-term investment was CNY1.7b or \$253m. Effective on January 21, 2010, Ctrip changed the ratio of its ADS to ordinary shares from 2 ADSs representing one ordinary share to 4 ADSs representing one ordinary share. For Ctrip's ADS shareholders, this ratio change had the same effect as a two-for-one ADS split.

In early February 2010, Ctrip's wholly owned subsidiary, C-Travel International, entered into an agreement with Wing On Travel where C-Travel agrees to invest in and Wing On Travel agrees to sell to Ctrip 90% of issued share capital of Wing On Travel's travel service segment for a total consideration of approximately \$88m in cash. The closing of this transaction is subject to certain conditions, including approval by shareholders of Wing On Travel.

For the first quarter of 2010, the Company expects to continue the year-on-year net revenue growth at a rate of approximately 30%. This forecast reflects Ctrip's current and preliminary view, which is subject to change.

With that, operator, we are opening the line for questions.

QUESTIONS AND ANSWERS

Operator

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

Catherine Leung *Citigroup - Analyst*

Hi. Good morning. I have two questions. Firstly, regarding the Wing On acquisition, I was wondering if you'd be able to share additional detail on deal terms, including whether there would be any earn-out agreement, as well as any detail you could share on Wing On's financials and how -- also how their overseas supply network compares to yours currently, in terms of the geographic coverage and the hotel partners.

My second question is on the pricing trends you've seen so far in the -- well what you've seen in the fourth quarter and so far in the first quarter. Would you expect to see more noticeable improvement or more meaningful trends after the Chinese New Year period? Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

For the first question, our CEO, Min, will address the strategic reasons for our investment and I will supplement on the basic financial details.

Min Fan Ctrip.com International Ltd. - CEO

Okay. For the Wing On deal, I think with this investment, Ctrip and Wing On Travel, as you know, we have also the investment in ezTravel. For those companies, we will be able to work together to become the leading player in the travel industry in Greater China area. And to cooperate with Wing On Travel, we can enhance our branding in Greater China area to enrich our product offerings and cover broader geography areas. And together we can leverage our resources and strengthen our competitiveness, provide better service and competitive prices to our target customers.

As you probably know, that Wing On is a well-known travel company in Hong Kong and had the extensive worldwide resource. With its 45 years in travel -- leisure travel market, we believe Ctrip can leverage on its strengths to cooperate with Wing On. And we can offer better products and service to our high end of our leisure travelers.

And also, as you know, Hong Kong is a very important in connection with travel hub. With Wing On travel strength in Hong Kong, Ctrip can better service our Mainland middle to high-end travelers and also we can have a strategic position, not only in Mainland China, in Hong Kong, but also in Asia.

Jane Sun Ctrip.com International Ltd. - CFO

Okay. I will supplement with the basic financial details. The deal we signed, the definitive agreement to invest in 90% of Wing On for the travel service segment. And our team is very excited about the opportunity that Ctrip will work with Wing On and also with our partner in Taiwan, to become a leading player in the Greater China area. Together I think we can leverage each other's strengths to better utilize our resources and technology platform.

The total consideration is about \$88m. And for us, it's an accretive acquisition compared to the financials. Wing On has not published their 2009 financials. But based on their previous year's financials, I think the acquisition is accretive to our business. Their major business is on the inbound and outbound tour business, and air ticketing and hotel reservations. The company is a leading player in Hong Kong. So our team is extremely excited about this opportunity to service the Greater China market.

Catherine Leung Citigroup - Analyst

All right.

Jane Sun Ctrip.com International Ltd. - CFO

And Catherine, your second question is on the pricing. In Q4 last quarter, I think the hotel price is very stabilized with a slight, maybe 3% decline. But pretty much, on a year-over-year basis, it has already stabilized.

On the air ticketing side, we saw a 5% increase on a year-over-year basis. So going forward, we expect hotel, as well as air ticket will -- the price will be flattish compared to last year's level.

Catherine Leung Citigroup - Analyst

Okay. Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

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

Marisa Ho Credit Suisse - Analyst

Hi. Good morning. I have a couple of follow-up questions on the Wing On acquisition. The first one is I understand this actually falls under a listed company in Hong Kong. And I just want to confirm that you're only buying the travel subsidiary under the listed company in Hong Kong, rather than involving the List-Co. So that's question number one.

And the number two question is from looking at the previous financials of Wing On Travel, I'm not as familiar with the company, but I understand they're actually making losses. And I'm not sure whether the losses are coming from the non-travel segment or coming from the travel segment. You may not be able to give us a lot of color on the full year 2009 numbers, but it will be helpful if you can shed some light on the profitability of the business that you are acquiring.

And the third question is, from memory, if I'm not mistaken, I think Wing On actually had an inbound licensing to operating inbound tours into China. But obviously, they don't have the outbound license that you do. Is that still the case? And to what extent it's going to create synergies with what Ctrip has got in its portfolio right now? Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Okay. I will take the first two questions and our CEO will take the last question. First of all, our M&A strategy has always been very disciplined and focused. But we are only interested in travel-related business. So you are correct. We are only investing in the travel segment.

Secondly, the travel segment for the past years that have been disclosed in the public filing have been profitable. The acquisition for us is accretive. It will be able to contribute to approximately 5% to our net income after the closing.

Min Fan Ctrip.com International Ltd. - CEO

Yes. If you talk about Wing On's travel license, Wing On is a well-known travel company in Hong Kong. And it has a joint venture in Guangdong Province. And if you're talking about whether they have inbound and outbound license, I think in the Guangdong Province, they are JV. They have the inbound travel license. Normally they would not have the outbound travel license. This is what I know for time being.

But for Wing On to operate in Hong Kong, it is a full licensed company. It not only operates inbound business, it can also operate outbound business. And in fact, Wing On is a leading outbound travel service provider in Hong Kong. And it provide the products to -- mainly to the middle to high end for travelers. And also I think their branding is well positioned and well established in Hong Kong.

Marisa Ho Credit Suisse - Analyst

Would it be fair to say that the profit margin of the Wing On business that you are acquiring will be a lower margin business compared to what Ctrip has got right now?

Jane Sun Ctrip.com International Ltd. - CFO

In terms of absolute dollar amount, I think it's -- they are making very good money compared to the other competitors. In terms of the profit margin, because the population in Hong Kong is smaller than it is in Mainland and the size of Wing On is smaller than Ctrip, so the scalability for Wing On is not as high as Ctrip's. But by combining both companies together, I think we will be able to improve the margin and achieve synergies through this alliance.

Min Fan Ctrip.com International Ltd. - CEO

Yes, as we know, Wing On has more than 40 years operating in leisure travel market. And it has extensive resource partnership in different areas, different countries. So in that means, I think Wing On can contribute very good synergy to Ctrip's outbound travel structure.

Marisa Ho Credit Suisse - Analyst

One final question from me. Would it also be fair to say that when you're looking at the economics of this acquisition, the \$88m you're paying would be considered a lower cost for product development compared to your own assets organically? Is that the right way to look at it, because ultimately, the profit size coming from a primarily Hong Kong-based business is necessarily small? So it's probably going to be a smaller percentage, going forward, to you as well because your China business will be growing a lot faster.

So, to me, it sounds like the inherent business from Wing On right now will be more like a cash cow. But you are looking at the possible knowledge transfer to gain the experience of operating some of the high-end package tours and product development, etc. Do you think this is the right way to look at this acquisition?

Min Fan Ctrip.com International Ltd. - CEO

Yes. I would like to put some color on this. For Wing On Travel, I think not only Wing On Travel is a profitable company, also, as you know, Hong Kong right now is the -- one of the most hot destinations for Mainland travelers. And we also can find very good synergy to work with -- to cooperate with Wing On Travel in Hong Kong. And as well, as you may know, that every year more than 17m Hong Kong travelers will travel from Hong Kong to Mainland China. And this can also provide us very good potential to explore this market. As you know, at Ctrip we have the best product provided in Mainland China. And also our service quality is one of the best. So we anticipate that the synergy will be developed in the near future.

Jane Sun Ctrip.com International Ltd. - CFO

Okay. On the financial side, I think you are right. Wing On Travel is also an agent model, capital-light, cash-flow positive. So for us it's just like you illustrated before. It's a cash-flow-positive business. And also, I think, as our CEO just said, Wing On has extensive branding and product power in the region. So by aligning us with them, I think we can better service our inbound customers through a Hong Kong hub, as it is becoming a very important travel hub in Asia and in the world. And also, when we send outbound customers to worldwide travel destinations, if we combine the volume from Mainland and Wing On and ezTravel together, I think we also have advantage and leverage on the outbound travelers as well.

Marisa Ho Credit Suisse - Analyst

Great. Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

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

Mike Olson Piper Jaffray - Analyst

Thanks. Good morning. A couple of quick questions. Is there any impact from Wing On Travel assumed in your Q1 revenue guidance?

Jane Sun Ctrip.com International Ltd. - CFO

Mike, I think the deal is expected to be closed in three to six months. Not until we close the deal, we will not pick up any financial numbers from Wing On. So maybe in three or six months we'll be able to have Wing On's results consolidated into our financials. So Q1 number does not include Wing On numbers.

Mike Olson Piper Jaffray - Analyst

Okay. Perfect. And you guys are clearly having strong revenue growth and operating margin of 33% with a 30% year over year. But I think there's some question about just what operating margin should look like in 2010. Would you be willing to share your thoughts on operating margin in 2010? And will it be kind of in the range of what we saw in Q4?

Jane Sun Ctrip.com International Ltd. - CFO

I think our team is very disciplined in how to better utilize our resources. Every dollar we spend in the channel we try to maximize the return. So for the next quarter we feel comfortable with the gross -- operating margin anywhere between 38% to 40% before stock comp.

Mike Olson Piper Jaffray - Analyst

Okay. So for Q1, 38% to 40% operating margin is a reasonable assumption.

Jane Sun Ctrip.com International Ltd. - CFO

Yes.



Mike Olson Piper Jaffray - Analyst

Okay. And would you be willing to say, for the remainder of the year, what a reasonable range would be?

Jane Sun Ctrip.com International Ltd. - CFO

We will try our best to maintain as high a operating margin as possible. But, conservatively, I think it should be very stabilized within the range of 35% to 40%.

Mike Olson Piper Jaffray - Analyst

Okay. Thanks very much.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Mike.

Operator

Our next question comes from the line of Kathy Chen with Goldman Sachs. Please proceed.

Kathy Chen Goldman Sachs - Analyst

Hi. Thanks for taking my question. I have a follow-up question regarding the first quarter guidance. Can you just give us some more color on the breakdown of what you're expecting for air versus hotel in the 30% growth?

And then the second question is just if you could share with us what the increase in other income was during the quarter. Thanks.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. First of all, for the guidance of 30%, it's mainly comprised of hotel. We assume it's about 20% to 25% year-over-year growth. For air tickets, it's about 30% to 35% year over year, and package tour around 50% year-over-year growth.

Your second question on other income. The other income line is mainly comprised of the government subsidies. In fourth quarter, we were able to get increased amounts of the government subsidies. That's the reason for the increase.

Kathy Chen Goldman Sachs - Analyst

Thanks. The package tour, you said 60%?

Jane Sun Ctrip.com International Ltd. - CFO

50%. 50%.

Kathy Chen Goldman Sachs - Analyst

50%. Okay. And then other income was primarily the government subsidy then.

Jane Sun Ctrip.com International Ltd. - CFO

Correct, correct. But the government subsidy we take a very conservative approach to record it, because the amount of the government subsidy, and the timing when we will receive the government subsidy is very hard to forecast. So therefore we do not book any other income unless we saw cash in our banks. So it's on a cash basis.

Kathy Chen Goldman Sachs - Analyst

Okay. Great. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks very much.



Operator

Our next question comes from the line of Aaron Kessler with Kaufman. You may proceed with your question.

Aaron Kessler Kaufman Brothers - Analyst

Great. Hi guys. A couple of questions. First on the tax rate, can you give us a sense for where they may come out either for Q1 or for 2010?

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Most of our entities are entitled for High and New Technology status. So the tax rate, before stock compensation, should be in the range of 15% to 17%. After stock compensation, it should be somewhere around 20% to 22%.

Aaron Kessler Kaufman Brothers - Analyst

Got it. Okay. And then finally, I don't know if you can give us the hotel volume growth. We can kind of back into it. But can you just -- if you have that, maybe the hotel volume growth ex ezTravel, that would be helpful.

And also just on the Q1 guidance, typically that's been flattish on a sequential basis versus Q4. So I'm just wondering if there's conservatism built in for Q1 or -- and if there was any impact from the impact of snowstorms in early Q1 also.

Jane Sun Ctrip.com International Ltd. - CFO

First of all, the hotel revenue grew more than 30%. Mainly it's driven by the volume growth. So that's the reason. Secondly on the guidance, I think if you look at the seasonality, Q1 normally is the slowest season in the year because it's winter season. Fewer leisure travelers will travel. And also the Chinese New Year normally falls into the Q1. So business travelers also travel less. So Q1 normally is the slowest season for the whole year. So it would make sense, to compare on a year-over-year basis, to take out the seasonality. And we believe 30% is the conservative guidance.

Aaron Kessler Kaufman Brothers - Analyst

Okay. And just can you comment on maybe the stock comp increase in Q4, that was up about \$3m sequentially? And also other revenues line is also up about 30% sequentially. Maybe you can give us a little detail there. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. Stock compensation is linked to two major elements. The first one is the total stock options we grant. The second one is the valuation of the stock comps. For the first element we control the number of the stock options that we can grant very carefully. Our plan always was to grant \$1m -- to add \$1m to the stock option pool. So the number is controlled.

The second element is the valuation of the stock option. And that's linked to many factors, such as our stock price, volatility, interest rate, dividend, etc. And these elements we really don't have too much control on it. So the higher our stock price is, the higher the valuation is. And that's the main reason why you will see gradually the stock comp increase its value. So that's the first question.

The second one is the other income. The other income, as we discussed, is mainly from the government subsidiary --.

Aaron Kessler Kaufman Brothers - Analyst

Sorry. Jane, actually the question was on the other revenue line. I think it's --.

Jane Sun Ctrip.com International Ltd. - CFO

In the other revenue? The other revenues are small advertisement revenues, insurance revenues, etc.

Aaron Kessler Kaufman Brothers - Analyst

Yes, I think those are -- the question was those are up about \$1.3m sequentially. I'm just wondering if there's anything abnormal there, or if that's just growth of some of the VIP cards and advertising.

Jane Sun Ctrip.com International Ltd. - CFO

Yes, I think, although it's small, our team works very hard on it try to maximize the revenues. So based on the small basis, it's relatively easier to beat a smaller base to achieve a higher growth rate.

Aaron Kessler Kaufman Brothers - Analyst

Okay. Thank you, Jane.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Aaron.

Operator

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

Wendy Huang RBS - Analyst

Morning. My first question is could you give some outlook for the 2010 top-line growth, especially how much growth will be coming from organic growth and how much growth actually came from [accretion]?

Jane Sun Ctrip.com International Ltd. - CFO

Wendy, I think the guidance we gave today is for Q1. And it's 30% year on year. For the full year we have to monitor it a little bit closely, because this year there is a one-time event. We really do not know how it's going to play out. So we will feel more comfortable as we approach the World Expo a little bit closer. Then I think our guidance will be more prudent.

Wendy Huang RBS - Analyst

Right. You actually mentioned in your prepared remark that China travel industry were entering into a high growth phase. And also the government, for the first time, put travel in its official guidelines. And I think the one-time event you just mentioned seems to only provide upside and there is no downside there. So should we actually expect 2010 top-line growth to be much higher than your first quarter year-over-year growth?

Jane Sun Ctrip.com International Ltd. - CFO

At this stage I think we still have to monitor the development very carefully. We do believe that the World Expo will be very good for China because the China concept will be elevated. And also it will be very good for the city of Shanghai because people from everywhere will come to visit. And Ctrip is headquartered in Shanghai. So we are in a best position to capitalize these opportunities. But, as in all the other major events, I think we still have to monitor the development very carefully in order to give a prudent guidance going forward.

Wendy Huang RBS - Analyst

Okay. Then can you give more color on your Hotel and air ticketing Q1 guidance, especially about ARPU trend of those two major segments in Q1.

Jane Sun Ctrip.com International Ltd. - CFO

Our guidance overall is around 30%, which includes hotel 20% to 25%, air 30% to 35% and packaged tour 50%. And we assume the price is flattish, commission rate is flattish. So mainly the growth is going to be driven by volume.

Wendy Huang RBS - Analyst

Okay. So when do you actually expect the hotel's ARPU to go back to the normal level?

Jane Sun Ctrip.com International Ltd. - CFO

I think it's taking -- the Hotel price is being recovered slowly but gradually. But as -- I think if the economy is keeping up at its healthy pace, travel industry will grow at a healthy pace. As long as the volume is holding very strong, hotel price will gradually recover.

Wendy Huang RBS - Analyst

Okay. And also one final check on the 4Q air ticketing ARPU, you mentioned it's 6% year-over-year growth. It seems actually less than Q3. Is there any price decline in Q4 for the air ticketing side?

Jane Sun Ctrip.com International Ltd. - CFO

Air ticketing, we track on a year-over-year basis. And it seems to us that a 5% year-over-year base, representing a very good recovery from last year's level.

Wendy Huang RBS - Analyst

But your Q1 ARPU guidance you just gave is flattish Q-on-Q, right? So I just wanted to get a clear idea about the sequential changes.

Jane Sun Ctrip.com International Ltd. - CFO

Sequential changes? I think 5% can be up or down. 5% is a very narrow range already. Obviously we hope the price will hold very strongly. But right now I think our visibility tells us that a flattish expectation is a reasonable number.

Wendy Huang RBS - Analyst

Okay. Thanks, Jane.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Wendy.

Operator

Our next question comes from the line of Eddie Leung with Bank of America. Please proceed.

Eddie Leung Bank of America - Analyst

Hi. Good morning Jane, Min and James.

Jane Sun Ctrip.com International Ltd. - CFO

Morning.

Eddie Leung Bank of America - Analyst

Just a couple of questions on the ticket trend. The first one is could you guys give us an update on your corporate travel business?

Min Fan Ctrip.com International Ltd. - CEO

Yes, for the corporate travel business, I think our corporate travel business is growing together with the other business. And, as you probably know that we're already in the list of top three players in the area. And also we were placed as the best corporate travel agency in China. And our market share -- although our market share is still relatively small, but we think this market is very promising. With the economy getting better, we are confident that the growth of this business line will be stable and healthy. Right now the corporate travel business has not reached 5% of our total revenues. We will break it when it reaches 5%.

Jane Sun Ctrip.com International Ltd. - CFO

Eddie, I think we probably will plan to break it out next year, because it's approaching the 5% very quickly.

Eddie Leung Bank of America - Analyst

Got that, Jane. Another question is regarding the leisure travel business. Could you guys also comment on the trends of your leisure travel business relative to your business travel business -- business travelers business in the past, especially in the past couple of quarters? Because we heard that it seems like the leisure travel business in China picked up pretty quickly in the second half. I'm just wondering whether that's also a trend that you see for your home business.

Min Fan Ctrip.com International Ltd. - CEO

If you see the last year's situation, although it's still very impacted by the financial crisis, our leisure travel business still achieved very strong and healthy growth rate. And I think this is mainly because in China the crisis is -- or China will grow out of this financial crisis very quickly. And also more and more white collar people, they intend to travel around. And especially those, as you know, what we call those born from the 80s, 1980s, they will spend -- consume more than the old people. So we are very confident in this travel -- leisure travel market. That was why we would like to acquire Wing On Travel in Hong Kong which we can find more synergy to boost our leisure travel market business.

Eddie Leung Bank of America - Analyst

Right. But do you think the leisure travelers would be more price-sensitive? And how that would affect your business?

Min Fan Ctrip.com International Ltd. - CEO

For leisure travel -- for leisure travelers definitely are more price sensitive than the business travelers. As you can see in our website, we provide those price check functionality in our website for air ticketing. And also we provide best deal. But, as you know, we -- for our marketing position we will aim at the middle to high-end consumers. And we provide value for money -- money-for-value products to our clients. So I think most of our clients will value more on our service and also value more on our packages with reasonable price.

Eddie Leung Bank of America - Analyst

Understood. Thank you very much. Thank you, again.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Eddie.

Operator

Our next question comes from the line of Philip Wan with Morgan Stanley. Please proceed.

Philip Wan Morgan Stanley - Analyst

Morning. Congratulations on a good quarter. I have a question about your air ticket volume growth which has been growing at three to four times faster than the industry average over the past two or three years. However the growth rate has been slowing down in recent quarters comparing to industry level. Could you please give us some color on this? And how should we look at the growth rate in air ticketing volume sales comparing to the industry over the next two to three years? Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

For air ticket volume, I think our team will work very hard to outpace the market growth. If you look at the growth rate for this year, the major three airlines grew about 15%. And the last year, when the airline was flattish, we still delivered more than 40%. So internally how we look at the growth rate is we add two years' growth rate together and average out. So you can pretty much average out at around 10%. And our team delivered on average more than 30% year over year. That's already very strong and fast. And we will keep up with our momentum to expand into the new areas.

Philip Wan Morgan Stanley - Analyst

Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Sure, thanks.

Operator

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



Ming Zhao SIG - Analyst

Hi. Thanks for taking my question. Good morning.

Min Fan Ctrip.com International Ltd. - CEO

Good morning.

Ming Zhao SIG - Analyst

Hi. Thank you. So first question is regarding the Q1 guidance. There's a pretty big snowstorm in the North China. Weather is cold, and this year Chinese New Year is late in the quarter. At this point you probably do not have enough data for the 1Q versus the 1Qs in the past years. So when you guide this 30% year-over-year growth, are you taking some conservatism in the guidance? That's my first question.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. I think the guidance of 30% has taken into consideration of our -- what we can see and what we have experienced in the past month already. As you know, our team is very committed to deliver as high a result as possible. But in the hospitality business there are things we cannot control, such as snowstorm. So that's why we built in some conservativeness in our guidance already.

Min Fan Ctrip.com International Ltd. - CEO

The snowstorms, I think, had some but a very limited impact so far on our business in Q4. As said, during the snowstorm we saw some cancellation of the air tickets. But I think the other business still performed normal.

Ming Zhao SIG - Analyst

Okay. What about the late Chinese New Year? Do you have any view about whether that's a positive thing or negative thing?

Min Fan Ctrip.com International Ltd. - CEO

Yes. Chinese New Year, normally it's -- after Chinese New Year, normally for business travelers and leisure traveler, will be a slow season. I think it's the normal seasonality. I think for this -- for the Golden Week holiday reservation, we see it's in line with our expectation.

Ming Zhao SIG - Analyst

Okay.

Jane Sun Ctrip.com International Ltd. - CFO

And Ming, as far as -- I think as far as the Chinese New Year falls within the same quarter, if you take the whole quarter compared to last year, it should be okay. For month over month it might have some variances. But if you add three months together, I think it's comparable to last year's.

Ming Zhao SIG - Analyst

Okay. My second question is about the Nantong call center. Have you started using that call center yet? If so, what's the percentage of the volume that's coming from the Nantong call center?

Min Fan Ctrip.com International Ltd. - CEO

We will probably use this Nantong call center in the second half of this year. And in fact right now in Nantong we have already some employees -- some call center staff there. We shift some call center volume to Nantong already to make a smooth transition for the next half year.

Jane Sun Ctrip.com International Ltd. - CFO

Sorry. Now our pilot program is running in Nantong. But we are leasing a small facility for the pilot program. Our own building will be ready in the second half of the year.

Ming Zhao SIG - Analyst

Okay. My last question very quickly, Jane. What's the stock option expense should be for next quarter, the Q1?



Jane Sun Ctrip.com International Ltd. - CFO

Ming, I think, as we discussed it before, stock option has two elements. The first element we have very good control on, which is the number of the shares we can grant. Every year we have limited number. That's the limit we can use. But second one is the valuation of the stock options. So that item is hard to predict because it's linked to our stock price. The higher stock price it is, the higher compensation charge it will be. At the current rate it's somewhere around 10 percentage, in that range.

Ming Zhao SIG - Analyst

Okay. All right. Thank you very much.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Ming.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

Our next question comes from the line of Paul Keung with Oppenheimer. Please proceed.

Paul Keung Oppenheimer - Analyst

Hi. Thanks for taking my question, especially since I got in so late here. But I'll ask them and I won't ask again. First question is with my experience looking at some of the companies in the US, in your Wing On acquisition, can you tell -- can you give us an idea of how much daily or monthly unique traffic you have on your site from Chinese visitors, Mainland Chinese trying to look at packages in travel to Hong Kong and vice versa? And then tell us what those conversion rates are, and how much you think that could improve with this acquisition.

Min Fan Ctrip.com International Ltd. - CEO

Right now Chinese FIT travelers to Hong Kong, the volume is very big. And I think Ctrip right now is the number one player in this field. And if you see the total number Chinese people, Mainland people visit Hong Kong every year, the number is over 10m. Over 10m. And I think Ctrip -- although Ctrip is the number one FIT operator in this field, but still we have much room to grow with synergy with Wing On Travel. And also for Hong Kongese visit Mainland China, the total volume is also more than 10m. 10s of million people will -- Hong Kongese will visit Mainland China. So this also give Ctrip a very good synergy to develop in this field.

Paul Keung Oppenheimer - Analyst

Okay. And my question is more related to the traffic on your website. Is there a certain number or percent you could tell us in terms of how many users you have, because I would imagine that the conversion rate of those online consumers are actually very low, given you don't really have the kind of inventory and the deals that they may be looking for, which Wing On hopefully brings to you.

Jane Sun Ctrip.com International Ltd. - CFO

Yes. Paul, I think you're right because we currently -- before the investment in Wing On, we do not have strong presence in Hong Kong. So for the inventory perspective, product offering, service level is not as strong as we would like it to be. It's not as strong as our strength in Mainland China. I think that's the strategic reason why we want to form alliance with Wing On because they have excellent customer service and excellent vendor relationship in Hong Kong. By aligning ourselves with Wing On, we'll be able to improve the service level and increase the product offerings to the Mainland travelers to Hong Kong.

Paul Keung Oppenheimer - Analyst

Okay. And my second question has to do with the airline moves in the last six months. Some of the high-speed rail, the most recent high speed that came online, the airlines responded by adding a lot more flights and capacity and reducing their rates which obviously is a benefit to you. As you plan out for -- has it impacted you at all? And do you see a benefit from it? And do you think the airlines actually may -- what happens if airlines decide to cut back on capacities if they can't make [those ops] profitable?



Jane Sun Ctrip.com International Ltd. - CFO

The airlines, it's very carefully monitoring the progress on the railway development. So we are confident that all the airlines will work very prudently to make sure their capacity is suitable to the market demand. Whether they increase or decrease, I'm sure the goal is maximize their revenue yield contribution. And we will work with the airlines to service the customers well, and to support the airlines and support our partners to the best we can.

Paul Keung Oppenheimer - Analyst

Okay. Thanks for taking my questions. And another good quarter. Great. Thanks. Bye.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Paul.

Min Fan Ctrip.com International Ltd. - CEO

Thanks.

Operator

Our next question comes from the line of Eric Wen. You may proceed with your question.

Eric Wen MainFirst Bank - Analyst

Hi. Thanks very much for taking my questions. Jane I just want to have one clarification on the Wing On acquisition. You are acquiring the travel business which is -- is it close to about 80%, 85% of the List-Co's revenue? Or are you actually acquiring most of the holding company? How would you model the percentage of revenue from Wing On going forward once the acquisition is [finished]? Thanks.

Jane Sun Ctrip.com International Ltd. - CFO

Sure. I think Wing On has not published the 2009 number yet. But based on our review of prior year's number, they will be able to contribute to approximately 5% to our net income on the bottom line. And for this year it's a transitioning year because we signed the agreement. And it's going to take approximately three to six months to close. And after the closing, then we will be able to pick up their numbers into our financials. So for this year it's going to be very minor impact. But going forward maybe 5% on our bottom line.

Eric Wen MainFirst Bank - Analyst

Okay. Wing On has about -- according to their annual report they have about 2,000 employees in Hong Kong. Are you taking over these 2,000 employees, or do you plan to cut -- close branches?

Jane Sun Ctrip.com International Ltd. - CFO

No we -- our M&A strategy is very focused. We are only interested in travel-related business. So the segment we are interested in which is covered by our agreement is only travel segment. And for that segment the employee number is approximately 600 people. All of them are related to travel. So product managers, tour guides, everyone is associated with travel business which will be strengthening our leisure travel group.

Eric Wen MainFirst Bank - Analyst

And in the branch offices, are you taking the branch office [plus 20]?

Jane Sun Ctrip.com International Ltd. - CFO

Their major branch office is in Hong Kong. And in some other popular travel destinations where Ctrip does not have a branch office we will be able to work with them to fully utilize their existing branch offices. But they're very limited. I think they only have branch offices to support their outbound business volume, so there's not many people there.

Eric Wen MainFirst Bank - Analyst

Okay. Good. Thanks. Helpful.

Jane Sun Ctrip.com International Ltd. - CFO

Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

We have a follow-up from the line of Marisa Ho with Credit Suisse. You may proceed with your question.

Marisa Ho Credit Suisse - Analyst

Hi. I just have a follow-up question about the air ticketing commission rate because I recall that in the third quarter of 2009 you were alluding to some slight pressure in the commission rate there, pushing it towards the lower end of that 4% to 5% range that you've been talking about. Do you have an update for the fourth quarter, and also the first quarter of 2010 please?

Jane Sun Ctrip.com International Ltd. - CFO

Sure. We monitor the commission rate very carefully. I think in fourth quarter it's in the middle of the range. And in Q1 it's also stabilizing within our normalized range. So flattish on a year-over-year basis.

Marisa Ho Credit Suisse - Analyst

Okay. Excellent. Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Marisa.

Operator

Our next question comes from the line of Roslin Zhu with CIMB Principal. Please proceed with your question. Roslin, your line is open. You may proceed with your question.

Roslin Zhu CIMB Principal - Analyst

Hello. Thanks for taking my question.

Jane Sun Ctrip.com International Ltd. - CFO

Sure.

Roslin Zhu CIMB Principal - Analyst

Just a follow-up question on the railway expansion in China. Will it be another business for Ctrip to work with the railway on this side?

Min Fan Ctrip.com International Ltd. - CEO

Yes. I think for the mass railway, the high-speed train development will be a good thing for the economic development in China. And also this will fulfill better China's growing travel demand. And I think around the high-speed railway line, with the network getting built, there will be more destinations for leisure travelers to go for. And also we can cooperate with more hotels along the railways. That will also increase our hotel room nights.

And also as our leisure department is working very hard to develop railway plus hotel vacation package products, we think this will increase our package tour business in the near future. Yes. So as the railway authorization -- authority opens up for agencies to distribute their tickets in the future, I think Ctrip has the efficient platform which I think will add very good values to their services. We will monitor this development very carefully.

Roslin Zhu CIMB Principal - Analyst

Okay. Is there any timeline of when they will be open to the agents to distribute?

Min Fan Ctrip.com International Ltd. - CEO

We will monitor very closely, but so far we do not see the very clear timetable on this.

Roslin Zhu CIMB Principal - Analyst

Okay. Thank you very much.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Operator

Our final question comes from the line of Wendy Huang with RBS. Please proceed with your question.

Wendy Huang RBS - Analyst

Hi. Just two housekeeping questions. Regarding the high-speed train, I notice that for some routes with high-speed trains presence, the airlines tickets price has been already lowered. So have you actually observed the similar pressure on your commission, and also observed the similar price change?

Min Fan Ctrip.com International Ltd. - CEO

I think for the high-speed railway network established in some area the air ticketing business might be affected. But so far we think this impact is very limited. And also I think the airline companies will also provide more competitive package to its customers. So we -- also we would like to have a better position to work closely with the airline companies and also closely with railway companies.

Wendy Huang RBS - Analyst

Okay. And for the Wing On acquisition, you mentioned it will contribute 5% profit. But what will be the percentage contribution for the top line?

Jane Sun Ctrip.com International Ltd. - CFO

Top line, it's approximately at that range also.

Wendy Huang RBS - Analyst

Okay. And also could you give an update on the total headcount, and how many of them are call center staff right now?

Jane Sun Ctrip.com International Ltd. - CFO

Yes. We don't have the exact, but from their -- well it looks like approximately 600 people. And all of them is --.

Wendy Huang RBS - Analyst

I meant Ctrip's total headcount.

Jane Sun Ctrip.com International Ltd. - CFO

Ctrip's total headcount, I think we -- it's approximately 10,000 employees.

Wendy Huang RBS - Analyst

And how many of them are call center people?

Min Fan Ctrip.com International Ltd. - CEO

Call center, half. 4,000 to 5,000.

Jane Sun Ctrip.com International Ltd. - CFO

Half of them.



Min Fan Ctrip.com International Ltd. - CEO

Half.

Wendy Huang RBS - Analyst

Okay. Thank you.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thanks, Wendy.

Operator

There are no additional questions at this time. I would now like to turn the call back over to management for closing remarks.

June Zhu Ctrip.com International Ltd. - IR

Thank you everyone for attending our conference call today. And thanks for your continued support to our business. Good bye.

Min Fan Ctrip.com International Ltd. - CEO

Thank you.

Jane Sun Ctrip.com International Ltd. - CFO

Thank you. Bye, bye.

Operator

Thank you for attending today's conference. This concludes the presentation. You may now disconnect and have a great day.

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