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CTRP - Q2 2014 Ctrip.Com International Ltd Earnings Call

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OVERVIEW:

CTRP reported 2Q14 total revenues of CNY1.8b and diluted earnings per ADS of \$0.14. Expects 3Q14 YonY net revenue growth to be approx. 30-35%.



CORPORATE PARTICIPANTS

Jade Wei *Ctrip.com International, Ltd - Director*

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

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

Jenny Wenjie Wu *Ctrip.com International, Ltd - Chief Strategy Officer*

CONFERENCE CALL PARTICIPANTS

Dick Wei *Credit Suisse - Analyst*

Vivian Hao *Deutsche Bank - Analyst*

Philip Wan *Morgan Stanley - Analyst*

Alicia Yap *Barclays - Analyst*

Mike Olson *Piper Jaffray - Analyst*

Ella Ji *Oppenheimer & Co Inc - Analyst*

Eddie Leung *BofA Merrill Lynch - Analyst*

Wendy Huang *Standard Chartered Bank - Analyst*

Alex Yao *JP Morgan - Analyst*

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Tian Hou *TH Capital - Analyst*

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Ida Yu *CICC - Analyst*

Yu-Heng Fan *China Renaissance Securities Limited - Analyst*

Yi Chen *Aegis Capital - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Q2 2014 Ctrip.com International Limited's earnings call. My name is Sarah and I'll be your operator for today.

At this time, all participants are in listen only mode. Later we will conduct a question and answer session. We would ask you to please keep your questions to one question only. (Operator Instructions)

I would now like to turn the conference over to Jade Wei, Director of Ctrip.com.

Jade Wei - *Ctrip.com International, Ltd - Director*

Thanks. Thanks, Sarah. Thank you for attending Ctrip's second quarter 2014 earnings conference call. Joining me on the call today, we have Mr. James Liang, Chairman of the Board and Chief Executive Officer, Mr. Min Fan, Vice Chairman of the Board and President, Ms Jane Sun, Chief Operating Officer, Ms Jenny Wu, Chief Strategy Officer and Ms Cindy Wang, 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 statement except as required under applicable law.

James, Min, Jane, Jenny and Cindy will share our strategy and business updates, operating highlights and financial performance for the second quarter as well as outlook for the third quarter of 2014. We will also have a Q&A session towards the end of this call. With that, I will turn to James for the business update. James, please.

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

Thanks, Jade. Thanks everyone for joining us today. We are pleased with our continued accelerating growth in the second quarter of 2014.

Net revenue grew by 38% year-over-year, primarily driven by strong volume growth. Our accommodation and reservation business achieved 64% year-over-year growth in room nights and 47% in revenue. Transportation ticketing business achieved 83% year-over-year growth in volume and 39% in revenue.

2014 is a year of strategic investments for Ctrip. In the past two quarters, we have expedited our marketshare gain and achieved accelerated growth across all our major business lines. This has demonstrated effectiveness of our strategy and the strong execution by our team.

In the coming quarters, we will continue to reinforce our core competency, expand our leadership in mobile internet, strengthening our IT infrastructure and enhance our one stop travel service platform, increase our brand awareness and speed up the penetration into second tier cities.

Ctrip has successfully built an industry leading mobile travel platform.

By the end of the second quarter, the accumulated downloads for Ctrip's travel app reached 200 million, increasing over 60% quarter-over-quarter. The acceleration of downloads benefited from aggressive marketing efforts-- (Technical difficulty)

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Okay, I will continue then.

Jade Wei - *Ctrip.com International, Ltd - Director*

Sarah, can you hear us?

Operator

I can.

Jade Wei - *Ctrip.com International, Ltd - Director*

Jenny, you start.



Operator

Yes, I'm here.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Yes, I will take the chance to speak for James. Okay, and Ctrip has successfully built an industry leading mobile travel platform. For example, by the end of the second quarter, the accumulated downloads for Ctrip travel app reached 200 million, increasing over 60% Q-on-Q.

The acceleration of downloads benefited from aggressive branding efforts by the Company as well as timely improvements made on products and user experience for our mobile app. More importantly, about 50% of those downloads have been activated, one of the highest levels in the travel industry. With that, we are encouraged to see that approximately 100 million Ctrip apps have been activated and used by our customers.

During the second quarter, approximately 80% of Ctrip's total transactions were booked online or through mobile channels compared to about 60% a year ago. Total mobile transaction value for the second quarter of 2014 more than tripled from a year ago with a peak daily transaction value reaching about RMB220 million.

For accommodations reservation business, both PC based internet and the mobile channels contributed about 40% of total transactions respectively. For transportation ticketing business, PC based internet contributed 45% of total transactions and mobile internet contribution increased over 30%.

James, are you online now -- hello?

Jade Wei - *Ctrip.com International, Ltd - Director*

Sarah are you here?

Operator

I'm here, James is here.

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

Hello?

Unidentified Company Representative

Hello?

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Okay, I will continue then. For our new business, mobile internet is also the major transaction platform. For example, over 80% of train ticket bookings -- ticket bookings came from mobile channels in the second quarter with the peak level exceeding 90% (inaudible). We believe in utilizing technology to enable our business development. Thanks to the hard work of our IT team, we have recently added air tickets from more than 70 international low cost carriers to our platform. This is a big step for our air ticketing business. After the new launch we are able to work with 162 international airlines, covering over 220 countries and territories, 3,600 international cities and 1.3 million (inaudible).

Ctrip offers the most flexible products to Chinese travelers, including tickets for single trips, round trips, multi-stop trips and open jaw trips. This low cost tickets can be booked easily through all our platforms including mobile, PC based internet, and the call centers. This gives us a huge advantage against all other major players in the market. We are glad to see that Ctrip is further extending its leadership in the air ticketing business beyond its peers in China, especially in terms of both product completeness and the price competitiveness. In July we added bulk buy tickets to complete mobile bookings for the last mile of customer's transportation needs. Our team is making great progress to expand coverage with more than 240 cities and 20 (inaudible) covered with just the one quarter.

We have successfully launched the Ctrip's gift card payment system on our mobile app in the second quarter. Customers can easily purchase Ctrip gift cards and then manage their balance through the Ctrip mobile app. Not only have Ctrip gift cards enabled customers to purchase all Ctrip travel products, they have also supported the transactions between our customers and third party vendors such as restaurants after the initial stage.

By using Ctrip gift cards, customers enjoy a convenient payment and actual discounts. Our partners appreciate this incremental traffic and the business that Ctrip brings to them.

This is a strategic step for Ctrip to become the most comprehensive and sophisticated platform in travel. We are not only meeting customers' travel needs but also creating new products and the functions that exceed the expectations of our customers and the partners.

Promotions and flash deals are appealing to leisure travelers. Ctrip mobile app has made this accessible anytime, anywhere through fingertips with our last minute and special deals channel. Our team strives to work with clients to offer customers steep discounts which are available for a limited time, which makes our customers keen to open up their mobile app frequently and hunt for exclusive deals. We expect these new products to be very well liked by deal driven leisure travelers and to improve the overall popularity and the frequency of app usage.

Applying for a visa is an important step for Chinese customers travelling abroad. It used to be a complex, time consuming and costly process. Ctrip has made a revolutionary step to change the industry practice. We began offering customers transparent service with a clearly outlined structure including procedural, timelines, documents, specific expenses and service fees. It has received great feedback from our customers since its rollout. With the support of Ctrip's strong brand name our (inaudible) expertise and advanced technology we have been able to set the bar high for this services in the industry. In addition to that we have been able to open up a two week window for waiving visa application service fees. The volume for booking visa applications through our mobile app has increased to five times its volume a year ago. Ctrip has made another significant breakthrough to further extend our user coverage. Youth and student travel is an underserved market in China. In the second quarter we launched a new mobile app called Young that offers special features tailor made to college students. Meanwhile, we recently become a (inaudible) investor of [Beijing] Mind Education, the leading player in serving the teenagers between the age of 3 to 18 in China to travel domestically and overseas for them to gain more knowledge and live experience.

By integrating Beijing Mind Education and expertise of serving more than 700,000 young travelers in the past several years, Ctrip is becoming a pioneer in the teenage travel markets and will create more compelling products for this promising segment. All these efforts will help us effectively capture more young customers and calculate their travel booking behavior using Ctrip from a very earlier age. We believe these young students will become future Ctrip loyal customers.

Back in the second quarter, we have stepped up our efforts to penetrate into more lower tier cities. One of our efforts is by airing our newest commercials during several of China's top TV shows to effectively capture the audience in the major cities in China.

We're encouraged with industry opportunities and the strong growth momentum that the Ctrip team is building. We are inspired by the innovative entrepreneurship within this franchise and are reserving no effort to make Ctrip the best travel service platform in China for our customers.

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

Thanks Jenny.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

With that --

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

Thanks Jenny for that update. Now let me turn to the main for the industry highlights and investment update. First (inaudible) China has entered a golden era of the travel industry. Recently the Chinese government has highlighted the importance of the travel industry in supporting economic development, creating employment opportunities, increasing income levels, and improving the environment in China. In order to boost the development of the travel industry, the government is promoting more market driven development, investment in travel related infrastructure and service, as well as innovative travel products to meet Chinese travelers leisure needs.

We are encouraged by these guidelines and [seek] the world position to capture the opportunities ahead. As a leading player in the online and mobile travel market in China, we have been very committed to providing the best travel products and experience for Chinese travelers. We're working (inaudible) to create more value for supplies which include airlines, hotels, tour operators, attraction sites, amusement parks, tour guides and so on. Meanwhile we strive to create an environment of rational and healthy competition with other industry players. Through our internal innovations and strategic investment, we are continuously developing new business models to meet the demands of Chinese travelers.

Ctrip is open to exploring different opportunities in the travel industry. We believe with the strength Ctrip has been building up in the past together with the strong dedication from our team, we're creating best value for our customers, partners, employees and shareholders. With that, I turn to Jane for the operation highlights. Jane?

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

Thanks, James. I am pleased to share the updates of Ctrip's main business with you.

Ctrip has further expanded its hotel coverage. As of the second quarter, we offer reservation services for around 110,000 domestic and 430,000 international hotels. Room nights grew over 64% year-over-year in the second quarter of 2014. Within just two quarters of Ctrip deciding to aggressively develop our group buy hotel business, the team delivered strong results which exceeded our expectation.

According to a recent industry report, Ctrip has become the number one [OTA] player in the group buy business, covering more than 100,000 group buy products and selling over 20,000 rooms in peak days. In Q2, the total volume growth for transportation business unit reached 83% year-over-year, with air ticket contributing the majority of the volume. With base expansion of our international air ticketing offering, we are the most competitive players in both product and prices. In the second quarter, international air ticketing grew approximately 60%, accounting for approximately 15% of total ticketing volume. We will continue to improve our technology from mobile interface to backend operations to offer the best price and booking experience for our travelers.

Both train tickets and bus tickets booking are currently in the early stage of development. However, we have witnessed a great demand from our customer looking for a reliable service and convenient access, partially from mobile applications. They trust our mobile applications to search for train and bus information and to reserve and pay for the tickets. They will become loyal customer and turn to Ctrip for their future travel needs. This will become a strong growth drive for our other business products in the future.

In the second quarter of 2014, our package tour volume grew about 40% year-over-year, despite the headwinds in the Southeast Asia destinations. We believe when the market rebounds, Ctrip with the largest customer base and most efficient capacity, will take the winning position.

Our open platform for vendor grew more than 10 times in its volume a year ago. In June, its monthly transaction value reached more than RMB100 million, which is a milestone achieved within just one year of starting this business from scratch.

Other new businesses in the vacation stage such as local attraction tickets, cruise booking, visa application, all broke records in the second quarter. We are proud of our teams working in these small business units and believe they will become market leaders in these new areas.

Our corporate travel service maintained a strong growth at 37% in the second quarter. We have successfully attracted more new companies to our service platform. In the second quarter, Ctrip launched a new online system to enable smaller companies to manage their travel needs, including travel authorization, reservation, expense control, settlement and reporting through the supply network and technologies supported by Ctrip. We are confident that the value Ctrip offers to our corporate customers will save their travel expenses and improve their travel management. We believe this system will expand our corporate travel business to a more and promising market.

Our corporate travel business has continued migrating from call center model to mobile and website. In the second quarter, over 45% of our corporate travel bookings were made through online and domestic channels, compared to 30% a year ago.

We are pleased with the solid results that the Ctrip team delivered in the second quarter and look forward to continuing this strong momentum across all of our business lines in upcoming quarters.

Now, I will tell Jenny for financial highlights.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Thanks Jane, thanks to everyone. In second quarter, Ctrip's total revenue increased to 38% year-on-year and 9% Q-on-Q to RMB1.8 billion. For accommodations reservation, its revenue growth was 47% year-on-year and 15% Q-on-Q. Its volume growth was 64% year-on-year, exceeding our guidance of 50% to 60% growth year-on-year.

For transportation ticketing, its revenue growth was 39% year-on-year and 11% Q-on-Q. Its volume growth was 83% year-on-year, exceeding our guidance of 50% to 60% growth year-on-year. For package tours, its revenue growth was 10% year-on-year, driven by an increase of 42% in volume. Package tour revenues decreased by 21% Q-on-Q, primarily due to seasonality.

Corporate travel revenues increased 37% year-on-year and 27% Q-on-Q, primarily driven by the increased corporate travel demands from business activities. Net revenue of RMB1.7 billion lifted 9% Q-on-Q and 38% year-on-year, exceeding our guidance of 30% to 35% increase year-on-year. Gross margin was 72%, down six percentage points year-on-year and staying consistent Q-on-Q. Product development expenses increased 55% year-on-year and 9% Q-on-Q, primarily due to an increase in product development personnel related expenses.

On our non-GAAP basis which is excluding share-based compensation charges, product development expenses accounted for 25% of net revenues, up six percentage points year-on-year and remaining consistent Q-on-Q.

Sales and marketing expenses increased 77% year-on-year and 12% Q-on-Q, primarily due to an increase in sales and marketing related activities. On a non-GAAP basis, sales and marketing expenses accounted for 27% of net revenues, up six percentage points year-on-year and down one percentage point Q-on-Q.

G&A expenses increased 22% year-on-year and 2% Q-on-Q, primarily due to an increase in administrative personnel related expenses. On a non-GAAP basis, G&A expenses accounted for 8% of net revenues, remaining consistent year-on-year and Q-on-Q.

Operating income decreased 54% year-on-year and increased 28% Q-on-Q. On a non-GAAP basis, operating income decreased 34% year-on-year and increased 5% Q-on-Q. Operating margin was 5%, versus 16% a year ago and 4% a quarter ago. On a non-GAAP basis, operating margin was 12% versus 25% a year ago and is staying flattish Q-on-Q, in line with our expectation.

The effective tax rate was 32% versus 27% a year ago, primarily due to the increase in amount of non-tax deductibles share based compensations as a percentage of our total -- our income as a whole. The effective tax rate decreased from 40% in the previous quarter, primarily due to certain tax benefits granted by the local tax bureau in the second quarter of this year.

Net income attributable to Ctrip's shareholders decreased 36% year-on-year and increased 17% Q-on-Q. On a non-GAAP basis, net income decreased 23% year-on-year and increased 4% Q-on-Q.

Diluted earnings per ADS were \$0.14 (inaudible) or \$0.26 on a non-GAAP basis.

As of second quarter, the balance of cash and cash equivalents, restricted cash and short-term investment was \$1.7 billion.

As of July 30, this year, Ctrip had purchased approximately 19 million ADS in aggregate with a total consideration of \$370 million.

Finally for the business outlook, for 3Q 2014, the Company expects to continue the net revenue growth year-on-year at a rate of approximately 30% to 35%. This forecast reflects Ctrip's current and preliminary view which is subject to change.

With that, dear Operator, please kindly open the lines for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator instructions) Our first question comes from Dick Wei from Credit Suisse.

Dick Wei - Credit Suisse - Analyst

Hi, good morning. Thanks for taking my questions. My question is on the hotel side. I wonder how much is the non-post-paid hotel volume that group buy and prepaid hotels -- if I get it correctly, you said around 20,000 per day? I wonder how big is it as a percentage of your total hotel volume and how do you think it's going to grow to maybe over the next one or two years on the prepaid hotel side? Thank you.

Jade Wei - Ctrip.com International, Ltd - Director

Thanks Dick and I will have Jane to answer the question.

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

Okay thanks Dick. For hotel business, we have two principal models. One is the commission model, one is the prepaid model. Prepaid model is growing at three digits so far, a very impressive growth rate. It accounts for approximately 15% of the overall hotel revenue and we believe this model will take very strong momentum going forward.

If you look at international players, I think both merchant model which is used for prepaid and also commission model which is pay at the hotel, takes about very even contribution to their revenue model. So we are very confident that the prepaid model will keep up with its momentum.

Jenny Wenjie Wu - Ctrip.com International, Ltd - Chief Strategy Officer

For the group buy part, and according to the recent industry report, Ctrip has become the number one OTA player in group buying business, covering more than [100,000] group buying products and are selling over 20,000 (inaudible) in peak days. But it's still a complementary product to us, and given the large size we have, group buy -- this model is -- overall volume contribution is still less than 5%, but we see it's a very good complementary product and very well received by our customers.



Yes, next question.

Dick Wei - *Credit Suisse - Analyst*

Great, thank you very much.

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

Sure, thank you.

Operator

Our next question comes from Vivian Hao from Deutsche Bank.

Vivian Hao - *Deutsche Bank - Analyst*

Hi, thank you for taking my question. I have actually two questions. First of all, can you please provide us a -- our effective tax rate on the air ticketing side and also, any update of the recent airline fixed commission cut impact to our airline segment. My second question is regarding, our package tour it seems only growing 10% year-over-year. Does this have anything to do with our reclassification of air and hotel into respective segments instead of putting it under package tour? Thank you.

Jade Wei - *Ctrip.com International, Ltd - Director*

Thanks Vivian. Jane, would you want to comment on it?

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

Yes, I will comment. Go ahead James.

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

Yes so our calculation has been -- the way we calculated has been consistent. So the package is growing slowly, than we expected in terms of revenue, it's because there was some recent political or economic problems in the regions that used to be pretty popular. We're still growing very nicely in terms of passenger headcounts, but because the pricing and because of the margin squeeze because -- in these regions because we are not growing as fast as we hoped in terms of revenue.

I think overall we're still gaining market shares in terms of head counts, but I think in the future we're going to see some pickup in those regions because just I think these regions will naturally recover once these problems go away.

Vivian Hao - *Deutsche Bank - Analyst*

Thanks and --



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

For the air ticketing margin probably Jane can comment.

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

Yes for air ticketing right now, I think the commission rate is within the normal range, 4% to 5%. The change in the air ticketing commission rate as indicated by our results did not have a material impact on us. The key for our business is to become the most efficient sales distribution channel for the airlines. We want to deliver the highest level of the services at the lowest cost. If that's the case, I think it's very value added for airlines to use Ctrip as their partner to distribute these air tickets. So we spent lots of investment on our IT, spent a lot of time on our service to make sure we can help airlines to drive volume and at a very efficient manner. So we do not expect the commission rate to have a material impact on us.

Vivian Hao - *Deutsche Bank - Analyst*

Thank you, very helpful.

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

Thanks.

Operator

Our next question comes from Philip Wan from Morgan Stanley.

Philip Wan - *Morgan Stanley - Analyst*

Hi, good morning. Thank you for taking my question. My question is about your margin, given that we have two quarters past this year. Would you have more visibility on the margin outlook for the rest of this year? Then a follow up question is would you break down your Q3 sales guidance by business lines as usual? Thank you.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Thanks Philip and I understand margin is a question that everyone cared about this year, so I would like to take the opportunity to share with you more of my thoughts on this.

First of all, if you look at our first half, our margin is quite stabilized around like 12%. When we move into second half and there we expect it will continue to be very stabilized. In 3Q, due to it's peak season of the year we may see slightly improvement here. For us, we want to highlight again, as we have been consistently communicating with the public, 2014 is a year of strategic investment for Ctrip. Our priority is always very clear. That is, to grab the golden industry opportunities and to gain market share at a faster pace.

Since Q1 this year, we have stepped up our investments on several key areas, especially on improving user experience, extending our leadership in mobile internet, strengthening our IT structure, enhancing our one stop travel plat -- travel service platform and especially we spend a lot of money to increasing our brand awareness and speed up the penetration into lower tier cities. Based on the progress of each project, we dynamically adjust our budget and approaches accordingly, so that we can monitor and these are the projects to be executed on the right track.

Meanwhile, we have worked hard to implement technology and innovative methods to improve our operating efficiency and cost control. In the past two quarters, we are very pleased to see we have expedited our market share gain and achieved accelerated growth across all our major



business lines. We not only strengthened our leadership in our (inaudible) hotel and air ticketing business, but also successfully cultivated over ten mini tigers internally and especially have become the clear leader in many of this new business, such as train tickets, travel [websites], local attraction tickets, cruise reservation and vacation rentals, just to name a few. Meanwhile, we even successfully managed to achieve the industry leading profitability of 12% OP margin. This has demonstrated the effectiveness of our strategy and strong execution by Ctrip team. It's definitely a very strong start, which encourages us to decisively execute our investment plans in 3Q.

For any extra margin, we may generated here, we decide to put them back to our key investments. Most of this investment we are making are more related to our long term growth targets rather than directly associated with revenues in the current quarter or the current year. Associated costs and expenses are partly upfront loaded and we expect more revenues and operating leverage will gradually kick in later on.

We believe through these efforts we can effectively build much solid foundation for Ctrip to achieve sustained market leadership. The long term value will be much more significant. And last, based on our current visibility, if the competition remains at the current level and there's no additional one-time event impact, we expect OP margin for the second half and for the full year would be largely similar to the first half level, that is, largely at the low teens.

Logically, we would expect a certain margin expansion when we move into next year and into future years, as we should be able to enjoy more and more pay off and operating leverage from the investments that we are making now. If you use the international peers as the benchmark we believe non-GAAP OP margin of 20% to 30% would still be very much achievable over the long [term] for Ctrip.

Nevertheless given the dynamics of our business development, the market and the competition, our visibility for the future (inaudible) margin is quite a lot and we would like to continue to guide our investors on quarterly basis when we move into the quarter and have more visibility. And hopefully this could help you to understand our intention and our strategy and our margin profile better.

Now I turn to the second question you raised about the guidance and for 3Q our net revenue will grow about 30% to 35% year-on-year and for the hotel segment the revenue growth was about 35% to 40%. It's probably the highest in the past several quarters. The volume growth would be about 50% to 60%. The commission, presume may decline by 5% to 10% partly due to the hotel coupon impact and partly due to the pricing exchange.

For the ticketing business revenue growth will be 30% to 35% and the volume will be 60% to 70%. The growth will again be dominantly driven by our air ticketing business and we expect it will continue to grow over three times the industry average. For the packaged tours its revenue growth was about 10% to 20% and the volume growth was still about 40% to 50%. For our corporate travel revenue growth will be largely in line with air ticketing business. So it's roughly 30% to 35%. Hopefully it's very clear to you. Thank you.

Operator

Our next question comes from Alicia Yap from Barclays.

Alicia Yap - Barclays - Analyst

Hi. Good morning James, Min, Jane, Jenny and Cindy. Thanks for taking my questions. My question is a follow-up on the package tour. So can you give us a little bit more specific on the domestic tour versus the outbound international tour on both the volume growth and also the pricing trend for each of them? Then if we exclude let's say the volumes from the destination tickets and so on, what is the actual growth rate for our normal package tour business? Related to that, given our strategy investment in Tongcheng and Tuniu can you help us understand more about your strategies on the further cooperations and your own organic growth target going forward?

Jenny Wenjie Wu - Ctrip.com International, Ltd - Chief Strategy Officer

Sure I --

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

This is Jane. I would (technical difficulty) question. For package tour as James illustrated that our target is very clear. We will do whatever we can to gain market share very aggressively. As demonstrated in our results, the head count for package tour growth very well at more than 43% year-over-year. In terms of domestic versus international, domestic revenue wise grew about 40% to 50% year-over-year. The international grew a little bit lower just because the majority of our package tour is in Asia and as you've seen in the news there is political turmoil in Thailand which is a very popular destination for us and also what happened in Malaysia Airlines also deters some travelers from travelling to these regions and also in Philippines and Vietnam there is a little bit of uncertainty impact consumers' behavior.

But we believe that is temporary just like earthquake or tsunami. Once the region recovers its stability I think the pent up demand will recover. So the key for us is still to offer the best product in the region and when the opportunity comes, we will be able to well position ourselves and grasp at the market opportunities and recover very quickly. So that's the split between domestic and international. In terms of -- it's almost half/half domestic versus international.

Your second question on Tuniu and Tongcheng, yes we are good partners with both of the teams. And there are a lot of cooperation where two teams work together to explore including vacation package, hotel, attraction tickets. I think each team has its strengths and going forward we will best leverage everyone's expertise and make sure it's a very efficient operation alliance. Thank you Alicia.

Alicia Yap - *Barclays - Analyst*

Thank you. Can I just have one quick follow-up -- is the package tour also included in the destination ticket volume?

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Yes.

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

No. Ticket is ---

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

No, no, no --

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

-- in the ticket line. When we say destination ticket is for the air ticket that's in the ticket volume. For attraction tickets that's in the package volume but attraction tickets overseas relatively is a new business and it's very immaterial right now.

Alicia Yap - *Barclays - Analyst*

Okay thank you.

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

Thanks Alicia.

Operator

Our next question comes from Mike Olson from Piper Jaffray.

Mike Olson - *Piper Jaffray - Analyst*

Good morning. You included in your discussion of the hotel revenue guidance for Q3 that you expect commission per room night to fall 5% to 10%. Could you just talk in general about the promotional environment and if anything has changed since Q2 and maybe specifically could you share how hotel coupon expense as a percent of revenue compared to what it was in Q2? Thanks.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

For the hotel on the hotel side the competition is still very fierce but it's kind of stabilized. Since 3Q last year coupon expenses as a percentage of hotel commission revenues has been relatively stable around 18% to 20% which is likely to be the case for 3Q this year. Just some accounting treatments differently and I think it's largely because your users now they choose to utilize the [cash] they owned to purchase our gift cards and a [percentage of] own product.

So currently the majority almost at 100% of the coupon cost are booked in actual (inaudible) revenues versus like still part of that will go to the sales marketing (inaudible) last year. That there will be roughly 5% extra decline for revenue per room night on a year-on-year basis. On the competition wise we see it's kind of stabilized.

Mike Olson - *Piper Jaffray - Analyst*

Okay thank you.

Operator

Our next question comes from Ella Ji from Oppenheimer Company.

Ella Ji - *Oppenheimer & Co Inc - Analyst*

Thank you. Can you talk about the organic volume growth of air tickets for this quarter? Also in terms of the trend in bus tickets, what is your current coverage of the total tickets there available on the market and can you also share with us some of your thoughts relating to your commission rate that you acquire in train and bus tickets?

Jade Wei - *Ctrip.com International, Ltd - Director*

Hi. Jane do you want to take the question?

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

Sure. I think the air ticket volume growth is very strong. It's between 35% to 40% growth and our new (inaudible) to train tickets as well as the bus tickets particularly during this time of the year. The weather is unstable and during the stormy day there are major delays in the airport. Our team will push the high speed railway to the relevant customer. So it's a very nice complementary product governed by our transportation department. I think going forward these three elements will become very organic combination to serve the people from one city to another. So that's what we base our forecast on.

In terms of commission for bus we charge a service fee and also for train tickets I think there is a basic number we can charge. So in terms of the dollar amount per ticket it is lower than air ticket. But in terms of the market potential these two segments is huge based on the recent statistics for air tickets per year the market accommodates about 300 million tickets but for train that number becomes 2 billion tickets a year. For bus that is 30 billion tickets a year. So market size is bigger. So in the future we believe these three segments will all generate healthy volume as well as revenue contributions for us.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Yes and just to add one more point on that. You see in the second quarter for our transportation tickets our volume growth is 83% year-on-year and the revenue is 39% year-on-year. The majority of this growth and the contribution is still from our air tickets. For the air ticketing itself, the volume growth was relatively in line with revenue growth and it's still over three times industry average growth. We are very pleased with the strong momentum that our team is building. Even we have such large base but we're still can uptick the industry.

Operator

Our next question comes from Eddie Leung from Merrill Lynch.

Eddie Leung - *BofA Merrill Lynch - Analyst*

Hi, good morning. Thanks for taking my questions. Just a follow-up question on your bus and train ticket business. I think you mentioned that down the road that could be a profitable business. Assuming that on a standalone basis bus ticket and train tickets right now may not be profitable and if not is there any timeline that we can look for? Thanks.

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

Sure. For bus and train tickets I think as you said it's a huge market for us. Right now we try to do everything through mobile and through online as automatic as possible to reduce the personnel cost to supporting this business. They're very much on the way. So for these two businesses, our goal is to make the business as automatic as possible. So in a very short time period hopefully they will both become breakeven business.

But as Jenny discussed in the margin section, I think these are the [basic type] programs along other -- 10 other basic type programs. Clearly all these programs takes about one to two years to be break even and profitable. However if we make the wise investment today all these product lines will become the leader in the market. So I think in the short term if we want to improve our margins, cutting these investments will easily increase our short-term margins. However in the long term that's the wrong position for our shareholders.

So we are very decisive -- anything that is related to travel that will make travel convenient for our customer we will make investment today and take the leadership today so that two to three years from now our market leadership is strengthened and our new product line can add another layer to the existing product lines. So that's our goal, Ed.

Eddie Leung - BofA Merrill Lynch - Analyst

Thank you Jane.

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

Thanks.

Operator

Our next question comes from Wendy Huang from Standard Chartered.

Wendy Huang - Standard Chartered Bank - Analyst

Thank you. First I want to clarify Jenny's previous comment about the margin trend. Are you saying that if the sales momentum continues at current level then for the second half -- the non-GAAP OP margin will be at low teens level which is very similar to the first half? Secondly, can you give us some update on your thoughts on the competitive landscape how that has changed over the past one quarter and also is there any interested area that you may actually consider to do the MA? Thank you.

Jenny Wenjie Wu - Ctrip.com International, Ltd - Chief Strategy Officer

Yes first of all on the margin side you are right. For the second half we expect the margin will be largely similar to the first half and we are very pleased with this momentum although we have such tremendous investment and our team still is successful to achieve the margin stabilization. That's very positive. For the MA side you'll note the Ctrip has stepped upon investment and has become more proactively to embrace industry change and industry dynamics. Our MA strategy is always very clear -- we will be very much focused on travel related segment and we will specifically look at several areas.

First one we focus on expanding future business to a new travel related segment such as, recently we acquired Beijing Mind enterprises which is the clear leader in serving teenage travel in China. It has already accumulated over 700,000 customers in the past several years and will clearly help us to extend our user coverage. To help us to literally now cover the -- literally all type of travelers in China now and also help us to accumulative -- to calculate the [user] behavior and user habits using Ctrip. It's very positive in that we are actually building more new blood and sustain a growth driver for Ctrip.

Secondly, we will also focus on extending, expanding our business to a new region geographically with great potentials such as last year we are investing in (inaudible), one of the leading local tour operators serving outbound travelers when they reach the US and also the local tours for people to travel within the US. It's a natural extension for our luxury model and it's great user experience improvement for our customer.

Thirdly, we also Ctrip is a leading auto player in China and we care about the IT innovation. Ctrip going forward all the great ideas will be enabled by the great technology. So we're searching for the good team and be alert about the industry technology innovation and look for the right candidates. That's pretty much what we're looking for and we hope we can add extra values to Ctrip and also to help the industry to make more innovative ideas and great business so that we can grow together and eventually Ctrip will be the leader and also the industry have the booming segment. That's pretty much our strategy here.

Wendy Huang - Standard Chartered Bank - Analyst

Okay thanks Jenny.

Operator

Our next question comes from Alex Yao from JP Morgan.

Alex Yao - *JP Morgan - Analyst*

Good morning and thank you for taking my question. I just want to clarify one thing. In the prepared remarks you guys mentioned 80% of the Company's total transactions were booked online or through mobile channels in the quarter. Does this refer to total transaction value or volume? If it's volume, what is the percentage of value in the quarter? A quick follow-up question is given that the transaction goes through online and mobile is it growing much quicker than the call center, presuming the call center's role in the Company will diminish over time and do you guys have plans to streamline this part of the business? Thank you.

Jade Wei - *Ctrip.com International, Ltd - Director*

Hi. James do you want to comment on this?

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

Yes. So we are growing very fast overall. So even though the percentage of call center business has been reduced, the overall or the absolute level of the transactions handled by call centers are actually still pretty stable. Our call center is going to be -- I don't want to call it call center but rather the contact center or service center. Our service center is still going to be our core competency and one of our major advantages against our competitors because it not only -- I think increasingly call centers not just handling the sales but in handling after sales service. So whenever something expected happened for example flight delays or hotel extra requests by the customers, anything that needs interaction with the people, with human service, actually we will do better than our competitors.

So that's the reason that the high end customers or even price conscious customers are willing to transact with us, even though our prices are the same as our competitors. So the call center will continue to be our key core competency and will be our competitive advantage.

Alex Yao - *JP Morgan - Analyst*

Can you clarify does the 80% refer to value of volume and what will be the one or the other? Thank you.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

It's a large volume and actually the transaction percentage is quite similar to that.

Alex Yao - *JP Morgan - Analyst*

Thank you very much.

Operator

Your next question comes from Fei Fang from Goldman Sachs.



Fei Fang - Goldman Sachs - Analyst

Hi, good morning, thanks for taking my question. In the sales and marketing expense, you highlighted the branding ads for TV commercials in the lower tier cities. Are those more of a one off spending for this year or will it become a recurring strategy? Also as your revenue base and your volume base scales up, do you plan to further increase your branding investment? Thank you.

Jade Wei - Ctrip.com International, Ltd - Director

Jane? Do you want to comment on that?

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

I will. For the branding efforts, we have seen great potential for the third tier and the fourth tier cities, so we selected approximately 30 cities to roll out our aggressive marketing campaign, and the GDP growth rate and average spending for these cities is similar to the first tier cities and second tier cities a few years ago, so we believe this is the right time to penetrate into these cities and increase the brand awareness, so when these people migrate from travel domestically to travel abroad, Ctrip will be the primary travel service provider for these consumers.

So far I think the campaign has been run very effectively. We have seen increased volume from these cities, so it really depends on -- we carefully monitor the spending power for the cities and GDP growth rate for these cities, and to an extent it reaches our threshold for making investment, and hopefully these investment in one year's time will become a very profitable region for our business.

Fei Fang - Goldman Sachs - Analyst

Okay, I see. Thank you.

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

Thanks, Fei.

Operator

Our next question comes from Tian Hou from TH Capital.

Tian Hou - TH Capital - Analyst

Thank you, management, good morning. I have a bigger question and a smaller question. In the guidance, if I look at the third quarter guidance, if I look at the past two years, the second half shows acceleration in terms of growth and this year the guidance somehow shows a slower growth in the third quarter than Q2 or first half. So I wonder what's the reason and is that because of the micro issue or is that because some company operational issue, like a computation, or industry issue such as [summer air] control? So what's the reason for the growth deceleration in the third quarter guidance?

Smaller question is about the total volume in the second quarter. Does that include your platform volume for tickets or hotels booked through your vendors on your platform? Those volumes, is that part of your total volume? That's my two questions.



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

The guidance for the second quarter, I think historically we have been very prudent. We rather under-promise and over-deliver. So with limited availability, it's our management philosophy, we rather to guide very prudently so when we deliver we will give 100% effort to make sure we deliver very strong results. On the volume total, the volume includes everything Ctrip provides service, including, direct contract with the hotels and also platform. So right now platform volume is still very early stage. The growth rate is strong, but overall contributions are quite immaterial.

Tian Hou - *TH Capital - Analyst*

Thank you, that answers my question.

Operator

Our next question comes from Ming Zhao from 86Research.

Ming Zhao - *86Research - Analyst*

Thank you. Two questions. First question is about your product development expense. So I think in your prepared remarks you said it's mainly due to the engineer cost. So if I assume each engineer earns RMB20,000 a month, that means you have 25,000 engineers. That figure is just too high. So could you give us some breakdown or some color about the product development expense which is almost four times that of Qunar. So that's my first question.

The second question is if you could tell us about your total GMV for the quarter. I believe Jane said that the third party is doing RMB200 million transaction on a monthly basis, so that's about RMB600 million or 3% of your total GMV, by my calculation. Is that a ballpark number? Thank you.

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

I think the first question of product development, the classification for product development, our classification might be different from our other peers in the market. For Ctrip, product development includes investment in IT and also our team who are talking, discussing business deals with hotels, airlines, package tours, so all these we classify them as product development.

The growth rate mainly in this line is mainly two reasons. One is, as you see, in our growth in the mobile app, our mobile app is very comprehensive. It has everything you can think of in the market, so with one application you can sell different products very easily within our app. So in the past few quarters we have invested very strongly into the mobile team as well as our IT team, so that's the first reason why product development team goes up.

Secondly is also what we talk about the Baby Tigers program. The innovation for new products such as cruise tickets, rental cars, the young student program, train tickets, bus tickets, all these product teams who are talking to the vendors, who are talking, who travel around the country to make sure all the inventory is grouped in our platform, are classified as product development team as well. So this line growth is not only the IT team but also the team that is invested in our new business development for the new product.

So that's the first question. The second question, the open platform RMB200 million, that is on the open platform for vacation package. The number is growing fast and we are very comfortable going forward that they will take more market share, but open platform's relative contribution to our revenue is very small, because permission rate from these platforms relative to our direct contract is lower. So we are confident in these businesses but still, they contribute a very small percentage into our overall business.

Ming Zhao - 86Research - Analyst

Thanks, Jane. If I can follow up, for the product development expense, if we include those ground force people on the ground developing the new businesses, assuming their cost is cheaper than the engineer, then the math would point to maybe 30,000 or 40,000 people on the ground. Maybe you could tell us how many people are on the ground indeed so we could understand this side and are they all full time employees?

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

I think the critical positions are all filled by full time employees, but included in the cost, there is also IT investment, infrastructure. We allocate the IT infrastructure, computers and service into each line of business, so it's all allocated to the relevant department, so it's not only people but also supporting. If they occupy a certain level of the offices, the depreciation is also allocated there. So you cannot take the number, divide it by the headcount and that comes up with their salary. That's only part. Salary is a part of it. We also have infrastructure and supporting costs that is utilized by these teams.

Ming Zhao - 86Research - Analyst

Okay. If I may have another follow up, talking about the same thing. CapEx OP or PPE is up by RMB500 billion. It's just a big step up quarter-over-quarter. What is that spent on? Are you buying aircrafts or boats? Anything on that?

Jade Wei - Ctrip.com International, Ltd - Director

On the CapEx side, the increase you will see is largely related to our office buildings and completed construction for our Chengdou office and for our Shanghai office. There is nothing additional or new here.

Ming Zhao - 86Research - Analyst

Thank you.

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

When we try to analyze whether to build a new range, we do a very careful analysis on rental versus depreciation, so all the buildings we self-build have a depreciation equal or lower than the rental cost. So in the long term these buildings will enable us for faster growth into the region.

Operator

Our next question comes from Ida Yu from CICC.

Ida Yu - CICC - Analyst

Hi, thank you for taking my questions. Can you give us some more updates about your open platform business and if you, as you mentioned that your transaction volume has exceeded RMB100 million, and can you divide it in business wise? The second question is can you give us more updates about your new business like Baby Tigers for example, your cruise lines or car rentals? Thank you.

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

Sure. Open platform has an advantage, which is giving us the coverage very quickly into smaller cities, because the regional players might have their special advantage in the regional cities. So our team work very aggressively to make sure these smaller vendors get our platform as quickly as possible. So our direct product, combined with the open platform product, will give our customers the best choice of product comprehensiveness and also pricing. So that's something we see a very good growth rate on and we will increase our investment accordingly. Your second question?

Ida Yu - *CICC - Analyst*

Some updates about your new business, like Baby Tigers, for example, cruise lines or car rentals and such.

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

Sure. I think our management philosophy is we are very disciplined and very focused. Our investment needs to be put in the area that is associated with travel, and we do travel very well. We do it before anybody realized there is a good opportunity. So when we look at the market, anything associated with travel will facilitate our customers' needs to travel domestically and abroad. So for example, cruise ticketing. Cruise ship is growing very fast in China, and we have seen this business line growing in three digits in the past quarter, so I think it will be a very promising business in the future.

Also rental cars. I think that's also very promising, because moving people from city to city, combined with our air ticketing, has become a very convenient way for people to travel with us. Also the young student program. We just launched a new app targeted at young students and it has been very well received by the university students. In addition to our self-developed app, we also made an investment in a company in Beijing which has accumulated customers for more than 700,000 students to help them to travel domestically and travel abroad. These students, going forward, will become future users for our primary products as well.

So all these investments, in our mind, has to be very disciplined and focused on travel and if we do it, we want to become number one in the business for each line of business. Going forward, we believe these businesses will become the future additions to our revenue pool.

Ida Yu - *CICC - Analyst*

Thank you, that's very helpful.

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

Thank you.

Operator

Our next question comes from Yu-Heng Fan from China Renaissance.

Yu-Heng Fan - *China Renaissance Securities Limited - Analyst*

Hi, good morning. Thanks for taking my question. I just wanted to follow your marketing promotion strategy for lower tier cities and the younger generation. I understand how to measure the retail branding, but what will be the average customer acquisition cost for those newer customer base and what kind of a product they are more likely to buy when they first become Ctrip's customer and repeat customer -- repeat purchase ratio? Thank you.

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

Marketing efforts we spent on the second tier and third tier, fourth tier cities, we surveyed the customers before we ran the apps and depending on where they normally appear, what's their interest, we ran the apps accordingly. It is built upon our full competence, which is competitive on pricing, competitiveness on the comprehensiveness of our product and our IT, so these are the three strengths in our product offering for the students.

For student platform, I think the products nearby their campus become very attractive, and also pricing, since students are not making money, so pricing becomes very important. So these are the focus. So for each segment of the business line, and for each city, we were surveying the customer before we rolled out the investment to achieve the best yield for our investment money.

Operator

Our next question comes from Yi Chen from Aegis Capital.

Yi CHen - *Aegis Capital - Analyst*

Hi, thank you for taking my question. I'm just wondering, do you plan to initiate any aggressive promotional programs during major holidays in the second half of this year or will you just simply follow to match your competitors' promotional progress?

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

We have a program which has lead time before the major holidays, and every year we roll out the program based on the market competition. Each player in the market has their own strengths and so we monitor what is going on in the market and we will make sure Ctrip invests very strongly to spending out in the market. So we do look at what we have, product wise, and what we target marketing wise, and also we compare to what is going on in the market. That's how we decide how much money we invest, where we invest the money.

So for this year I think the major holiday, as every year, we will invest with sufficient lead time so by the time a major holiday comes over, consumers have a very strong impression for our product and branding.

Yi CHen - *Aegis Capital - Analyst*

Thank you.

Operator

Our next question comes from Ella Ji from Oppenheimer.

Ella Ji - *Oppenheimer & Co Inc - Analyst*

Thank you very much for taking my follow up questions. I have a long term question relating to your user growth. This quarter we have seen you have a very strong growth in mobile app downloads. I think you added about 80 million downloads and you mentioned the activation rate is about 50%, so that's around 40 million new users. But if we look at your volume growth, it's not growing at that rate, and I fully understand that travel is not a highly frequently used app by nature, but just a longer term, as you look at your new user behavior, especially on mobile, how should we think about your user growth that you acquired on the mobile side? Also within that 200 million users, what is the overlap with your existing PC users?



Jade Wei - *Ctrip.com International, Ltd - Director*

James, do you want to take that question?

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

We don't have the exact number of 200 million new users, how many of them are new users. In the past, we actually see quite a few migrations migrating from call center users to become the mobile users. But the ratio of new users has been going up, so increasingly mobile is now just a more efficient platform and it becomes more importantly a platform to attract new customers, especially in the second and third tier cities. We see a lot of new users actually have not been using PCs or have not been Ctrip customers now becoming Ctrip mobile users.

So that's the reason that actually we push aggressively in terms of development, in terms of sales and marketing effort, to promote our mobile apps, especially in second and third tier cities where most of the growth opportunities are. We are very excited that mobile will be a primary channel for our new customers. Did I answer your question?

Ella Ji - *Oppenheimer & Co Inc - Analyst*

Thanks James.

Operator

Our next question comes from Alicia Yap from Barclays.

Alicia Yap - *Barclays - Analyst*

Hi, thanks for taking my follow up question. Very quickly on the hotel coupon side, is there any update in terms of the hotel coupon impact as a percentage of the hotel revenue and also overall competition environment? Thank you.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

We measured it before and the coupon environment has become very stabilized, actually, since Q3 last year. As a percentage of hotel commission revenue it contributed roughly 18% to 20% which is likely to be the case for the coming quarter.

Alicia Yap - *Barclays - Analyst*

Thank you.

Operator

There are no further questions in the queue, so I'll turn the call back over to Jade for closing remarks.

Jade Wei - *Ctrip.com International, Ltd - Director*

Okay, thank you for everyone joining our finance conference call today. If you have any further questions, please feel free to contact our management team or the IR team. Thank you very much.

Jenny Wenjie Wu - *Ctrip.com International, Ltd - Chief Strategy Officer*

Thanks.

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

Thank you very much.

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

Thank you.

Operator

This concludes today's conference. Thanks for your participation. You can disconnect and have a wonderful day.

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