

# Global Offering

# Trip.com Group™

## 携程集团

Stock Code: 9961

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers

J.P.Morgan



Goldman Sachs

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



## IMPORTANT

If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.

# Trip.com Group™

## 携程集团

### Trip.com Group Limited

### 攜程集團有限公司

(incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 31,635,600 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,214,500 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 29,421,100 Offer Shares (subject to reallocation and the Over-allotment Option)
Maximum Hong Kong Offer Price	: HK\$333.00 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Par value	: US\$0.00125 per Share
Stock code	: 9961

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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Goldman Sachs

Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



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A copy of this document, having attached thereto the documents specified in “Documents available for inspection—Documents delivered to the Registrar of Companies” in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or around Tuesday, April 13, 2021. If, for any reason, the Offer Price is not agreed by Friday, April 16, 2021, the Global Offering will not proceed and will lapse. The Hong Kong Offer Price will be no more than HK\$333.00 per Offer Share, unless otherwise announced.

We may set the International Offer Price at a level higher than the maximum Hong Kong Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Hong Kong Offer Price as stated in this document and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Hong Kong Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process. If the International Offer Price is set at or lower than the maximum Hong Kong Offer Price, the Hong Kong Offer Price must be set at such price that is equal to the International Offer Price. Under no circumstances will we set the Hong Kong Offer Price above the maximum Hong Kong Offer Price as stated in this document or the International Offer Price.

The Joint Representatives may, with our consent, reduce the number of Offer Shares being offered under the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. See “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” for further details. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See “Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Grounds for termination” for further details. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in “Risk factors”.

Our ADSs, each representing one Share, are listed for trading on Nasdaq under the symbol “TCOM”. The last reported sale price of the ADSs on Nasdaq on March 31, 2021 was US\$39.63 per ADS. In connection with the Global Offering, we have filed a registration statement on Form F-3 and a preliminary prospectus supplement and plan to file a final prospectus supplement with the SEC to register the sale of Shares under the U.S. Securities Act.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS DOCUMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.trip.com](http://investors.trip.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

April 8, 2021

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## IMPORTANT

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.**

**This document is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), under “HKEXnews > New Listings > New Listing Information”, and our website at [investors.trip.com](http://investors.trip.com). If you require a printed copy of this document, you may download and print from the website addresses above.**

To apply for the Hong Kong Offer Shares, you may:

- (a) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk);
- (b) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8646 on the following dates and times:

<b>Thursday, April 8, 2021</b>	—	<b>9:00 a.m. to 9:00 p.m.</b>
<b>Friday, April 9, 2021</b>	—	<b>9:00 a.m. to 9:00 p.m.</b>
<b>Saturday, April 10, 2021</b>	—	<b>9:00 a.m. to 6:00 p.m.</b>
<b>Sunday, April 11, 2021</b>	—	<b>9:00 a.m. to 6:00 p.m.</b>
<b>Monday, April 12, 2021</b>	—	<b>9:00 a.m. to 9:00 p.m.</b>
<b>Tuesday, April 13, 2021</b>	—	<b>9:00 a.m. to 12:00 noon</b>

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

See “How to Apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

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## IMPORTANT

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Your application must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HKS		HKS		HKS		HKS
50	16,817.78	1,000	336,355.64	20,000	6,727,112.82	700,000	235,448,948.70
100	33,635.57	1,500	504,533.47	30,000	10,090,669.23	800,000	269,084,512.80
150	50,453.35	2,000	672,711.28	40,000	13,454,225.64	900,000	302,720,076.90
200	67,271.13	2,500	840,889.11	50,000	16,817,782.05	1,000,000	336,355,641.00
250	84,088.91	3,000	1,009,066.92	60,000	20,181,338.46	1,107,250 <sup>(1)</sup>	372,429,783.49
300	100,906.70	3,500	1,177,244.75	70,000	23,544,894.87		
350	117,724.48	4,000	1,345,422.56	80,000	26,908,451.28		
400	134,542.26	4,500	1,513,600.39	90,000	30,272,007.69		
450	151,360.04	5,000	1,681,778.21	100,000	33,635,564.10		
500	168,177.83	6,000	2,018,133.85	200,000	67,271,128.20		
600	201,813.38	7,000	2,354,489.49	300,000	100,906,692.30		
700	235,448.95	8,000	2,690,845.13	400,000	134,542,256.40		
800	269,084.51	9,000	3,027,200.77	500,000	168,177,820.50		
900	302,720.08	10,000	3,363,556.41	600,000	201,813,384.60		

*Note:*

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

## EXPECTED TIMETABLE

	<i>Time and date<sup>(1)</sup></i>
Hong Kong Public Offering commences .....	9:00 a.m. on Thursday, April 8, 2021
Latest time for completing electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(2)</sup> .....	11:30 a.m. on Tuesday, April 13, 2021
Application lists open <sup>(3)</sup> .....	11:45 a.m. on Tuesday, April 13, 2021
Latest time for (a) completing payment for <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Tuesday, April 13, 2021
<p>If you are instructing your <b>broker</b> or <b>custodian</b> who is a CCASS Clearing Participant or a CCASS Custodian Participant to give <b>electronic application instructions</b> via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your <b>broker</b> or <b>custodian</b> for the latest time for giving such instructions which may be different from the latest time as stated above.</p>	
Application lists close <sup>(3)</sup> .....	12:00 noon on Tuesday, April 13, 2021
Expected Price Determination Date <sup>(5)</sup> .....	Tuesday, April 13, 2021
Announcement of the Hong Kong Offer Price and the International Offer Price on our website at <a href="http://investors.trip.com">investors.trip.com</a> <sup>(6)</sup> and the website of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or around .....	Tuesday, April 13, 2021
Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on our website at <a href="http://investors.trip.com">investors.trip.com</a> and the website of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before .....	Friday, April 16, 2021
The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including: .....	
<ul style="list-style-type: none"> <li>• in the announcement to be posted on our website at <a href="http://investors.trip.com">investors.trip.com</a> and the website of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> .....</li> <li>• from the designated results of allocations website at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> (alternatively: English <a href="https://www.eipo.com.hk/en/Allotment">https://www.eipo.com.hk/en/Allotment</a>; Chinese <a href="https://www.eipo.com.hk/zh-hk/Allotment">https://www.eipo.com.hk/zh-hk/Allotment</a>) with a "search by ID" function from .....</li> <li>• from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on .....</li> </ul>	Friday, April 16, 2021  8:00 a.m. on Friday, April 16, 2021 to 12:00 midnight on Thursday, April 22, 2021  Friday, April 16, 2021 and Monday, April 19, 2021 to Wednesday, April 21, 2021
Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before <sup>(7)(9)</sup> .....	Friday, April 16, 2021
White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or around <sup>(8)(9)</sup> .....	Friday, April 16, 2021
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on .....	Monday, April 19, 2021

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## EXPECTED TIMETABLE

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*Notes:*

- (1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, April 13, 2021, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares—C. Effect of bad weather and Extreme Conditions on the opening and closing of the application lists.”
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your broker or custodian to apply on your behalf via CCASS should refer to “How to Apply for Hong Kong Offer Shares—A. Applications for the Hong Kong Offer Shares—6. Applying through **CCASS EIPO** service.”
- (5) The Price Determination Date is expected to be on or around Tuesday, April 13, 2021 and, in any event, not later than Friday, April 16, 2021. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Friday, April 16, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.
- (8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Hong Kong Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, April 16, 2021 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to “How to Apply for Hong Kong Offer Shares—G. Dispatch/collection of share certificates/e-refund payment instructions/refund checks—Personal Collection—If you apply through **CCASS EIPO** service” for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in “How to Apply for Hong Kong Offer Shares—F. Refund of application monies” and “How to Apply for Hong Kong Offer Shares—G. Dispatch/collection of share certificates/e-refund payment instructions/refund checks.”

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares”, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will publish an announcement as soon as practicable thereafter.

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### IMPORTANT NOTICE TO INVESTORS

*This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representations not made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors or any other person or parties involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set out in “Risk Factors.” You should read the entire document carefully before you decide to invest in the Offer Shares.*

### WHO WE ARE TODAY

Today, we are a leading one-stop travel platform globally, integrating a comprehensive suite of travel products and services and differentiated travel content. We are the go-to destination for travelers in China, and increasingly for travelers around the world, to explore travel and get inspired, to make informed and cost-effective travel bookings, and to enjoy hassle-free, on-the-go support and share travel experience. Users come to our platform for any type of trip, from in-destination activities, weekend getaways, and short-haul trips, to cross-border vacations and business trips. Our diverse product and service portfolio covers budget, high-end, customized, and boutique offerings that appeal to both our domestic users and our growing global user base. Founded in 1999, we now operate the most well-known travel brands in China according to the Analysys Report, and have solidified our leadership over the past two decades. We have been the largest online travel platform in China over the past decade and the largest online travel platform globally from 2018 to 2020, both in terms of gross merchandise volume, or GMV, according to the Analysys Report.

### OUR MISSION

Our mission is to make every trip effortlessly enjoyable.

Travel is a way of life and life is a trip. Travel is more than transportation, lodging, dining, and sightseeing. Travel is a lifestyle and an indispensable dimension of life. We travel for fun and for work; we travel alone and with family and friends; we travel far away and nearby. Our travel experiences help shape who we are.

We make every trip personalized, convenient, enjoyable, and inspirational by building a travel ecosystem integrating rich and diverse travel products, services, and content offerings. Over the past two decades, we have been elevating the travel experience and lifestyles for people in China and around the world.

# SUMMARY

## Leading Brands



## One-Stop Travel Platform



## Breadth of Offering\*



**1.2mm+**  
global accommodation offerings



**480+**  
global airlines from low-cost to full-service carriers



**310,000+**  
global in-destination activities



**30,000+**  
other ecosystem partners

**200+ countries and regions**

\* As of December 31, 2020

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## SUMMARY

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### OVERVIEW

#### How We Create an Effortlessly Enjoyable Travel Experience

**User Centricity.** We are a user-centric company committed to providing each user with a personalized, convenient, enjoyable, and inspirational travel experience. Before a trip, we provide personalized content to inspire our users to make informed travel decisions and a smooth booking process with full pricing transparency. Throughout a trip, we provide convenient and reliable on-the-go support through our mobile applications and around-the-clock customer service centers. After a trip, we continue to engage with our users, encourage them to review and share their experiences, and then use the feedback to consistently refine our services and inspire other users.

**Open Platform.** We enable a network of ecosystem partners, including listed accommodations, airlines, and other travel product providers, to access our massive user traffic, deep travel insights, and technology-enabled solutions. As a result, our open platform seamlessly aggregates and presents diverse travel products and services across the world with great scalability.

**Proprietary Technology.** We focus on building technology to improve travel experience. We were the first travel platform in China to launch a mobile-based transaction platform that enables convenient booking anywhere and anytime. Our proprietary artificial intelligence (AI) and big data analytics technologies allow us to transform our massive travel data into business intelligence and operating know-how to consistently enhance our travel offerings and our operating efficiency.

#### Our Resilience

Our 17-year journey as a public company started in December 2003, shortly after the SARS outbreak in China, and the resilience that we demonstrated then continues today. Since the beginning of 2020, we, similar to other companies in the travel industry, have been negatively impacted by the COVID-19 pandemic. Nevertheless, we have continued to innovate our product, service, and content offerings to continuously deliver high-quality travel experience to our users. We not only strengthened collaboration with our hotel partners by launching a broader range of room and non-room offerings at attractive prices, but also developed “pre-order” offerings, which allow our users to lock in a competitive price while enjoying great flexibility in determining the actual travel date. We also launched our live streaming functions to help our ecosystem partners promote travel destinations across China and offer the latest great deals from hotels and flights to excursion tickets and in-destination activity packages. These efforts have created new ways to engage with users and ignite increasing local and domestic travel demand, and enabled us to continue to provide diverse marketing services to ecosystem partners.

As social and economic conditions gradually recovered from the COVID-19 pandemic within China, we observed an emerging demand for short-haul travel, local trips, and domestic boutique and premium accommodation experiences. We have rolled out new product offerings in these categories to better serve users’ travel demand and recorded a strong recovery in our domestic travel business. As of December 31, 2020, the number of in-destination activity ecosystem partners increased by approximately 25% compared to December 31, 2019. In the fourth quarter of 2020, we had an over 20% increase in our intra-provincial hotel GMV and an over 100% increase in number of reservations for attractions and activities, compared to the same period in 2019. Our continued innovations in products, services, and content offerings allow us to identify the evolving need of users, putting us in an advantageous position to capture pent-up demand for outbound travel post-COVID-19.

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## SUMMARY

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### **Our Value Propositions**

#### ***Our Value Propositions to Users***

Users come to us for inspiration, diverse selection, personalized, convenient, and enjoyable experiences, trustworthiness, value-based pricing, and efficiency.

*Inspiration.* The digital nature and scale of our platform have allowed us to accumulate content shared by travelers based on their real travel experiences and professionally generated content from our ecosystem partners. Our immersive and appealing content inspires travel ideas and bookings, and motivates future sharing from users after their own trips, thereby continuously enriching our content offerings.

*Diverse Selection.* Our one-stop travel platform offers a vast number of accommodations, transportation options, vacation packages, in-destination activities, and service offerings with expanding geographical coverage. From budget to premium, our diverse selection of travel product and service offerings, including long-tail and customized products, allows us to capture the varying demands of our broad user base. Our global travel offerings enable our users to book travel within China and elsewhere in the world.

*Personalized, Convenient, and Enjoyable Experience.* Our proprietary AI and big data analytics technologies enable us to provide each user with a personalized content feed. Our search and transaction engines integrate extensive product and service offerings around the world, provide real-time updates on pricing and availabilities, handle complex routing and matching calculations, and enable flexible payment options to maximize convenience for our users.

*Trustworthiness.* Our on-the-go travel services accompany users throughout their entire journey. Our service center is reachable 24/7. We proactively take swift measures to safeguard our users' safety and economic interests constantly, especially when emergency situations arise such as the COVID-19 pandemic. This further solidifies the trustworthiness of our brands.

*Value-Based Pricing.* We are able to negotiate competitive prices for users not only because of our scale, but also because of our ability to improve our ecosystem partners' operating efficiency by effectively matching demand with supply through our proprietary technology.

*Efficiency.* Leveraging our proprietary AI and big data analytics technologies, we have been continuously improving our user support efficiency and user experience through our self-developed automated instant messenger system, telephone system distribution software, and personalized search engine and recommendation system. We also use our industry-leading technologies in search and transactions of flight ticket, hotels, and accommodations to shorten search latencies and processing time, and generate relevant results efficiently to ensure good user experience. See "Business—Technology."

#### ***Our Value Propositions to Ecosystem Partners***

Our ecosystem partners collaborate with us for our scale, innovation, and insights and technology solutions.

*Scale.* Leveraging our open platform, we enable our ecosystem partners to gain access to our massive user base. We improve the efficiency of our ecosystem partners and conversions on our open platform through targeted online marketing and content creation tools, demand forecast data insights, dynamic pricing engines, an integrated payment system, and supply chain financing facilitation. These value-added services help expand our travel offerings with competitive pricing and elevate travel

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## SUMMARY

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experience and service for users, thereby enabling our platform to attract those users with the strong intent to travel, which drives high conversion rates and return on investment for our ecosystem partners.

*Innovation.* Due to our scale, deep understanding of the industry, and proprietary technology, we not only match demand with supply, but also create new demand and drive value creation for the entire industry. For example, we have recently identified increasing user demand for short-haul trips and weekend getaways. As a result, we have introduced new product offerings to capture these emerging trends and leveraged our live streaming function to promote local attractions and activities.

*Insights and Technology Solutions.* We combine our travel insights and technology know-how to help our ecosystem partners grow their businesses. We provide our ecosystem partners with a comprehensive suite of technology solutions such as targeted online marketing tools, demand forecast and user behavior analytics models, an integrated payment system, and supply chain financing facilitation. As our partners grow their businesses, we both stand to benefit.

We offer various travel offerings such as air tickets and hotel listings to our users and charge them directly. In order to better meet users' increasing needs for diversified products and services, we allow trusted ecosystem partners to directly post their own product and service offerings on our open platform alongside products and services that are negotiated with business partners and offered by us. In substantially all of our hotel-related and air ticket-related transactions, we generally act as agent for our hotel reservation partners and airline ticket partners, and collect commissions from these ecosystem partners on products and services booked and sold through us. We allow ecosystem partners to determine the prices of their own products posted on our platform, and ensure adequate pricing competition among ecosystem partners through our open platform, thereby providing our users with a wide range of travel offerings with competitive and transparent pricing.

As our ecosystem partners increase their scale and achieve better profitability, we are able to offer products and services with better quality and value to our users, which ultimately enhances our value proposition to our users and the overall travel industry.

### STRENGTHS

We have achieved a leading position, in part, by establishing the following competitive strengths:

- the leading travel platform in China with growing global presence;
- one-stop destination for a comprehensive suite of travel offerings;
- user centricity throughout the journey;
- proprietary technologies underpinning our entire operations;
- ecosystem empowering travel partners; and
- management team with extensive industry experience and entrepreneurial culture.

For a detailed discussion of these strengths, see “Business—Our Strengths.”

### STRATEGIES

We operate our business with local focus and global vision. We will continue to refine and iterate our products and services, innovate our business model and technologies, and drive value creation for all the travel industry stakeholders in China. In the meantime, we plan to remain keenly

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## SUMMARY

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focused on building our global presence for users within China and the expanding user base outside China. We believe that we are well-positioned to replicate our success in China and globally leveraging our extensive know-how and travel partnership network. In particular, we set the following strategies to:

- expand our one-stop travel offerings;
- upgrade our content capabilities;
- further improve our service quality;
- continue to invest in technology; and
- enhance our global leadership.

For a detailed discussion of these strategies, see “Business—Our Strategies.”

### OUR INNOVATION

We believe that our success is attributable to our continuous innovations, our innovative business model, and our strength in technologies. Our track record of innovations and our continued success in a competitive industry are widely recognized. See “Business—Our Innovation.”

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Rule 13.46(2) of the Hong Kong Listing Rules requires an overseas issuer to send an annual report or a summary financial report within four months after the end of the financial year to which the report relates. As an issuer seeking a listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules, we are not subject to the disclosure requirements under notes 4(a) and (b) to Rule 13.46(2) of the Hong Kong Listing Rules. As this document already includes the financial information of the Company for the year ended December 31, 2020, the Company will not separately prepare and send an annual report to its shareholders for the year ended December 31, 2020, which will not be in breach of its constitutional documents, laws and regulations of the Cayman Islands or other regulatory requirements. We will lay our annual financial statements for the year ended December 31, 2020 before our members at the next annual general meeting after the Listing to be convened in December 2021.

## SUMMARY

### Summary Consolidated Statements of Comprehensive Income Data

The following table sets forth a summary of our consolidated statements of operations in absolute amount and as a percentage of net revenues for the periods indicated. This information should be read together with our consolidated financial statements included in the Accountant's Report in Appendix I to this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	%
	(in millions, except percentages)					
<b>Revenues:</b>						
—Accommodation reservation	11,580	37	13,514	38	7,132	39
—Transportation ticketing	12,947	42	13,952	39	7,146	39
—Packaged tours	3,772	12	4,534	13	1,241	7
—Corporate travel	981	3	1,255	4	877	5
—Others	1,824	6	2,461	6	1,931	10
Total revenues	31,104	100	35,716	100	18,327	100
Less: Sales tax and surcharges	(139)	(0)	(50)	(0)	(11)	(0)
<b>Net revenues</b>	<b>30,965</b>	<b>100</b>	<b>35,666</b>	<b>100</b>	<b>18,316</b>	<b>100</b>
Cost of revenues	(6,324)	(20)	(7,372)	(21)	(4,031)	(22)
<b>Gross profit</b>	<b>24,641</b>	<b>80</b>	<b>28,294</b>	<b>79</b>	<b>14,285</b>	<b>78</b>
Operating expenses:						
—Product development <sup>(1)</sup>	(9,620)	(31)	(10,670)	(30)	(7,667)	(42)
—Sales and marketing <sup>(1)</sup>	(9,596)	(31)	(9,295)	(26)	(4,405)	(24)
—General and Administrative <sup>(1)</sup>	(2,820)	(9)	(3,289)	(9)	(3,636)	(20)
Total operating expenses	(22,036)	(71)	(23,254)	(65)	(15,708)	(86)
<b>Income/(Loss) from operations</b>	<b>2,605</b>	<b>9</b>	<b>5,040</b>	<b>14</b>	<b>(1,423)</b>	<b>(8)</b>
Interest income	1,899	6	2,094	6	2,187	12
Interest expense	(1,508)	(5)	(1,677)	(5)	(1,716)	(9)
Other (expense)/income	(1,075)	(3)	3,630	10	(273)	(1)
Income/(loss) before income tax expense and equity in loss of affiliates	1,921	7	9,087	25	(1,225)	(6)
Income tax expense	(793)	(3)	(1,742)	(5)	(355)	(2)
Equity in loss of affiliates	(32)	(0)	(347)	(1)	(1,689)	(9)
<b>Net income/(loss)</b>	<b>1,096</b>	<b>4</b>	<b>6,998</b>	<b>19</b>	<b>(3,269)</b>	<b>(17)</b>
Net loss attributable to non-controlling interests	16	0	57	0	62	0
Accretion to redemption value of redeemable non-controlling interests	—	—	(44)	(0)	(40)	(0)
<b>Net income/(loss) attributable to Trip.com Group Limited</b>	<b>1,112</b>	<b>4</b>	<b>7,011</b>	<b>19</b>	<b>(3,247)</b>	<b>(17)</b>

Note:

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

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	%
	(in millions, except percentages)					
Product development	(934)	(3)	(919)	(3)	(964)	(5)
Sales and marketing	(156)	(1)	(144)	(0)	(159)	(1)
General and administrative	(617)	(2)	(651)	(2)	(750)	(4)



## SUMMARY

During the Track Record Period, our total revenues increased by 15% from RMB31.1 billion in 2018 to RMB35.7 billion in 2019, and decreased by 49% to RMB18.3 billion in 2020, primarily due to the negative impact from the COVID-19 pandemic in China and globally. In 2018, 2019, and 2020, the aggregate revenues from Greater China market contributed to 90%, 87%, and 93% of our total revenues, respectively. Our cost of revenues increased by 17% from RMB6.3 billion in 2018 to RMB7.4 billion in 2019, and decreased by 45% to RMB4.0 billion in 2020, which was in line with the revenue decrease in 2020. In 2018, 2019, and 2020, we had gross margins of 80%, 79%, and 78%. Our net revenues increased by 15% from RMB31.0 billion in 2018 to RMB35.7 billion in 2019, and decreased by 49% to RMB18.3 billion in 2020. We recorded net income of RMB1.1 billion and RMB7.0 billion in 2018 and 2019, respectively, and net loss of RMB3.3 billion in 2020, primarily due to the impact of COVID-19 pandemic to our revenues, which were materially and adversely affected by the domestic and international travel restrictions, and significant incremental costs and expenses incurred to facilitate our users' cancelations and refund requests, and equity in loss of affiliates. While the duration and the development of the pandemic is difficult to predict, our performance generally improved in the third and fourth quarter of 2020 compared to the first two quarters of 2020, in terms of our key financial metrics such as revenues and gross margin, and we have recorded net income in each of the third and fourth quarters of 2020, compared with net loss recorded in the first and second quarter of 2020, benefiting from the containment of the COVID-19 pandemic in China starting from the third quarter of 2020.

### Summary Consolidated Balance Sheets Data

The table below sets forth our selected consolidated balance sheet data as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in millions)		
<b>Current assets:</b>			
Cash and cash equivalents	21,530	19,923	18,096
Restricted cash	4,244	1,824	1,319
Short-term investments	36,753	23,058	24,820
Accounts receivable, net	5,668	7,661	4,119
Due from related parties	1,642	2,779	1,802
Prepayments and other current assets	9,557	12,710	7,855
<b>Total current assets</b>	<b>79,394</b>	<b>67,955</b>	<b>58,011</b>
Investments	26,874	51,278	47,943
Goodwill	58,026	58,308	59,353
<b>Total assets</b>	<b>185,830</b>	<b>200,169</b>	<b>187,249</b>
<b>Current liabilities:</b>			
Short-term debt and current portion of long-term debt	36,011	30,516	33,665
Accounts payable	11,714	12,294	4,506
Due to related parties	492	400	241
Salary and welfare payable	3,694	4,829	3,534
Taxes payable	1,019	1,449	1,217
Advances from customers	9,472	11,675	7,605
Accrued liability for rewards program	528	478	478
Other payables and accruals	5,854	7,541	7,123
<b>Total current liabilities</b>	<b>68,784</b>	<b>69,182</b>	<b>58,369</b>
Long-term debt	24,146	19,537	22,718
<b>Total liabilities</b>	<b>97,097</b>	<b>93,324</b>	<b>85,682</b>
<b>Net current assets/(liabilities)</b>	<b>10,610</b>	<b>(1,227)</b>	<b>(358)</b>
<b>Net assets</b>	<b>88,733</b>	<b>106,845</b>	<b>101,567</b>
Total Trip.com Group Limited shareholders' equity	86,715	103,442	100,354
Non-controlling interests	2,018	2,261	1,213
<b>Total shareholders' equity</b>	<b>88,733</b>	<b>105,703</b>	<b>101,567</b>



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Our short-term investments were RMB24.8 billion as of December 31, 2020, in line with our short-term investments of RMB23.1 billion as of December 31, 2019. Our short-term investments as of December 31, 2019 decreased by 37% from RMB36.8 billion as of December 31, 2018, primarily because we strategically invested a portion of the cash previously invested in short-term financial products to long-term products in 2019 to achieve an optimized rate of investment return. Our investments decreased by 7% from RMB51.3 billion as of December 31, 2019 to RMB47.9 billion as of December 31, 2020, primarily due to the losses incurred from our equity method investments, mainly in MakeMyTrip, which was significantly impacted by the COVID-19 pandemic. Our investments as of December 31, 2019 increased by 91% from RMB26.9 billion as of December 31, 2018, primarily due to investment in MakeMyTrip and we strategically invested a portion of the cash previously invested in short-term financial products to long-term products in 2019 to achieve an optimized rate of investment return. Our short-term debt and current portion of long-term debt increased by 10% from RMB30.5 billion as of December 31, 2019 to RMB33.7 billion as of December 31, 2020. Our short-term debt and current portion of long-term debt as of December 31, 2019 decreased by 15% from RMB36.0 billion as of December 31, 2018. Our long-term debt increased by 16% from RMB19.5 billion as of December 31, 2019 to RMB22.7 billion as of December 31, 2020. Our long-term debt as of December 31, 2019 decreased by 19% from RMB24.1 billion as of December 31, 2018.

We had net current assets of RMB10.6 billion as of December 31, 2018, net current liabilities of RMB1.2 billion as of December 31, 2019, and net current liabilities of RMB358 million as of December 31, 2020. The net current liabilities of RMB1.2 billion we had as of December 31, 2019, as compared to net current assets of RMB10.6 billion as of December 31, 2018, were primarily due to a decrease of RMB13.7 billion in our short-term investments, as we strategically invested a portion of the cash previously invested in short-term financial products to long-term products in 2019 to achieve an optimized rate of investment return. The net current liabilities of RMB358 million we had as of December 31, 2020, as compared to net current liabilities of RMB1.2 billion as of December 31, 2019, was due to decreases in both total current assets and total current liabilities of RMB9.9 billion and RMB10.8 billion, respectively, primarily attributable to (i) a decrease in accounts receivable of RMB3.5 billion and additional allowance for expected credit losses from the receivables, (ii) a decrease of accounts payable of RMB7.8 billion; (iii) a decrease in prepayments and other current assets of RMB4.9 billion due to decline in our financial service business; and (iv) a decrease in advances from customers of RMB4.1 billion, which was as a result of the impact of the COVID-19 pandemic to our business. The foregoing were partially offset by an increase in short-term debt and current portion of long-term debt of RMB3.1 billion, mainly due to the loan facility we obtained in 2020. See “Risk Factors—Risks Relating to Our Business and Industry—We have incurred net current liabilities and net operating cash outflow in the past, and may not be able to achieve or maintain net assets or net operating cash inflow in the future.” Our net assets decreased from RMB106.8 billion as of December 31, 2019 to RMB101.6 billion as of December 31, 2020, primarily due to downward adjustments and impairment to our long-term investments and additional allowance for expected credit losses from the receivables as a result of the impact of the COVID-19 pandemic to our business. For a detailed discussion on our cash position, being the balance sheet item that has material impact on our liquidity, as well as material changes in the various working capital items, see “Financial Information—Liquidity and Capital Resources.”

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## SUMMARY

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### Selected Consolidated Cash Flows Data

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

	For the Year Ended December 31,		
	2018	2019	2020
	(RMB in millions)		
Operating cash flows before movement in working capital	7,751	10,184	5,992
Changes in working capital	2,123	282	(6,934)
Cash paid during the period for income taxes	(1,315)	(1,496)	(1,239)
Cash paid for interest, net of amounts capitalized	(1,444)	(1,637)	(1,642)
Net cash provided by/(used in) operating activities	7,115	7,333	(3,823)
Net cash used in investing activities	(14,078)	(2,413)	(3,821)
Net cash provided by/(used in) financing activities	11,926	(9,256)	6,025
Effect of foreign exchange rate changes on cash and cash equivalents, restricted cash	819	309	(713)
Net increase/(decrease) in cash and cash equivalents, restricted cash	5,782	(4,027)	(2,332)
Cash and cash equivalents, restricted cash, beginning of year	19,992	25,774	21,747
Cash and cash equivalents, restricted cash, end of year	<u>25,774</u>	<u>21,747</u>	<u>19,415</u>

We had net operating cash outflow of RMB3.8 billion in 2020, primarily due to our net loss, a decrease in accounts payable, and a decrease in advances from customers, partially offset by an add-back in non-cash expense or loss items. See the section headed “Financial Information—Liquidity and Capital Resources” for more details.

We believe that our current cash and cash equivalents and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements and capital expenditures for at least the next 12 months from the date of this prospectus. We plan to enhance our cash flow position by generating increased cash from our business operation as our business grows.

## SHAREHOLDING AND CORPORATE STRUCTURE

### Major Shareholders

Baidu beneficially owned approximately 11.5% of our Shares as of February 28, 2021. It is, and is expected to remain following the Global Offering, our single largest shareholder. As of February 28, 2021, our directors and executive officers (as a group) beneficially owned approximately 6.7% of our Shares, and Naspers beneficially owned approximately 5.5% of our Shares. See “Major Shareholders” for further details.

### VIE structure

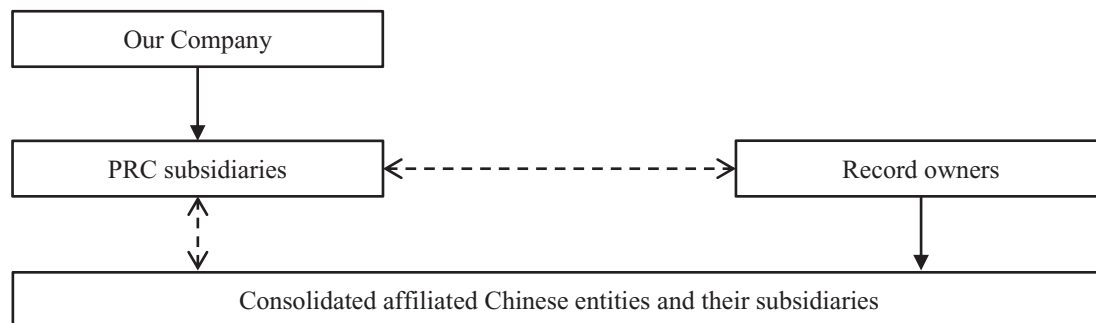
Current PRC laws and regulations impose substantial restrictions on foreign ownership of the travel agency and value-added telecommunications businesses in China. Therefore, we conduct part of our businesses through a series of agreements between our PRC subsidiaries, our consolidated affiliated Chinese entities and/or their respective shareholders. See “Contractual Arrangements” for details.

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## SUMMARY

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The following simplified diagram illustrates the structure created by our Contractual Arrangements:



*Notes:*

- (1) “—>” denotes legal and beneficial ownership in equity interest.
- (2) “<- ->” denotes contractual relationship.

### Defense Mechanism Against Hostile Takeovers

We have implemented a defense mechanism to impede hostile takeovers through a rights agreement. On November 23, 2007, our board of directors declared a dividend of one ordinary share purchase right (a “**Right**”), for each of our ordinary shares outstanding at the close of business on December 3, 2007, pursuant a rights agreement. As long as the Rights are attached to the ordinary shares, we will issue one Right (subject to adjustment) with each new ordinary share so that all such ordinary shares, including shares in this Global Offering, will have attached Rights. When exercisable, each Right will entitle the registered holder, except the acquirer that triggers the exercise of Rights by crossing certain thresholds of share ownership percentage, to purchase from us US\$700 worth of ordinary shares at significantly discounted market price, subject to adjustment. As a result, the acquirer (and the shareholders who choose not to exercise the Rights) will be greatly diluted if most of other existing shareholders choose to exercise the Rights, and other existing shareholders who exercise the Rights will not be diluted, thereby effectively reducing the risk of a potential hostile takeover. We believe that this mechanism is beneficial to our Company as it encourages anyone seeking to acquire our Company to negotiate with our board of directors prior to attempting a takeover, thereby ensuring the continuity of our visionary management and strategies, minimizing potential business disruption, and enabling our board to make more informed decisions for the benefit of our shareholders. Subsequently, we have entered into various amendments to the Rights Agreement dated as of November 23, 2007 between The Bank of New York Mellon and us through which we: (i) extended the term of our rights agreement for another ten years and the Rights will expire on August 6, 2024, subject to the right of our board of directors to extend the rights agreement for another ten years prior to its expiration; (ii) modified the trigger threshold of the Rights to allow more flexibility; (iii) include certain shareholders in the definition of “Exempt Person” under the then effective rights agreement under certain circumstances. See “Share capital—Defense Mechanism Against Hostile Takeovers” for details.

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## SUMMARY

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### RISK FACTORS

Our business and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include that:

- pandemics (such as COVID-19), epidemics, or fear of spread of contagious diseases could disrupt the travel industry and our operations, which could materially and adversely affect our business, financial condition, and results of operations;
- our business could suffer if we do not successfully manage current growth and potential future growth, or if we are unable to execute our strategies effectively;
- our business is sensitive to global economic conditions. A severe or prolonged downturn in the global or Chinese economy may have a material and adverse effect on our business, and may materially and adversely affect our growth and profitability;
- general declines or disruptions in the travel industry may materially and adversely affect our business and results of operations;
- fluctuation of fair value change of short-term investments we made may affect our results of operations;
- we recorded a significant amount of goodwill and indefinite lived intangible assets in connection with our strategic acquisitions and investments, and we may incur material impairment charges to our goodwill and indefinite lived intangible assets if the recoverability of these assets became substantially reduced; and
- our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the Public Company Accounting Oversight Board, or the PCAOB, is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.

### USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$10.4 billion after deducting the estimated underwriting fees and the estimated offering expenses payable by us in the Global Offering, and assuming a Hong Kong Offer Price and International Offer Price of HK\$333.00 per Offer Share and assuming the Over-allotment Option is not exercised, or HK\$11.9 billion if the Over-allotment Option is exercised in full.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- **approximately 45% of net proceeds, or approximately HK\$4.7 billion, assuming the Over-allotment Option is not exercised, to fund the expansion of our one-stop travel offerings and improve user experience.** We plan to use part of the net proceeds to broaden the one-stop travel offerings on our platform to cater to users with different needs and their evolving preferences. We will continue to focus on growing our user base and retaining our existing users through upgrading our content capabilities. We will also make additional investments to further improve our service quality by delivering personalized, convenient, enjoyable, and inspirational user experience through more support such as immediate alerts on potential health and safety risks during the trip, more flexible reservation change and refund policies, broader on-the-go emergency service, and more quality content offerings.

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## SUMMARY

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- **approximately 45% of net proceeds, or approximately HK\$4.7 billion, assuming the Over-allotment Option is not exercised, to invest in technology to bolster our leading market position in products and services and improve our operating efficiency.** We plan to improve the application of AI, big data analytics, virtual reality and cloud technologies to continuously deliver products, content, and services to our users, and offer more automated and intelligent user support and more convenient transaction experiences for our users. We intend to invest resources to empower our ecosystem partners through providing enhanced technology solutions for product and services, content and marketing, and other supporting features. We will continue to attract and nurture software engineers, data scientists, AI experts, and other research and development talent in areas that will improve our technology infrastructure, and continuously enhance the efficiency of our business management and operation.
- **approximately 10% of net proceeds, or approximately HK\$1.0 billion, assuming the Over-allotment Option is not exercised, for general corporate purposes.** We will use the remaining proceeds for general corporate purposes and working capital needs, as well as potential strategic investments and acquisitions, although we have not identified any specific investments or acquisition opportunities at this time.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such unused net proceeds in cash or short-term deposit at banks and/or authorized financial institutions.

See “Use of Proceeds” for further details.

### THE LISTING

ADSs representing our Shares have been listed and traded on Nasdaq since December 9, 2003. Each ADS represents one Share. Dealings in ADSs on Nasdaq are conducted in U.S. dollars. We have applied for listing of our Shares on the Main Board under Rule 8.05(3) and Chapter 19C (Secondary Listings of Qualifying Issuers) of the Hong Kong Listing Rules. Dealings in our Shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Shares will be traded on the Hong Kong Stock Exchange in board lots of 50 Shares. See “Information about this document and the Global Offering” for further details.

### WAIVERS AND EXEMPTIONS

As we are applying for listing under Chapter 19C of the Hong Kong Listing Rules, we will not be subject to certain provisions of the Hong Kong Listing Rules, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the SFO and a ruling under the Takeovers Codes. See “Waivers and Exemptions” for further details.

We enjoy exemptions from certain obligations under U.S. securities laws and Nasdaq rules as a foreign private issuer as defined under the U.S. Exchange Act. Investors should exercise care when investing in our Shares and/or ADSs. See “Information about the Listing—Summary of Exemptions as a Foreign Private Issuer in the U.S.”

### ARTICLES OF ASSOCIATION

We are an exempted company incorporated in the Cayman Islands with limited liability and our affairs are governed by our Articles of Association, the Cayman Companies Act, as well as the

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## SUMMARY

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common law of the Cayman Islands. The laws of Hong Kong differ in certain respects from the Cayman Companies Act, and our Articles of Association are specific to us and include certain provisions that may be different from common practices in Hong Kong. Therefore, we have applied for, and the Hong Kong Stock Exchange has granted, among others, a waiver from strict compliance with: Rule 19C.07(3) of the Hong Kong Listing Rules, which requires that the appointment, removal and remuneration of auditors must be approved by a majority of a Qualifying Issuer's members or other body that is independent of the issuer's board of directors. We have also applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 19C.07(4) of the Hong Kong Listing Rules, subject to the condition that we will put forth a resolution at the next annual general meeting after the Listing to be convened in December 2021 (the "**Next AGM**") to revise our Articles of Association to comply with Rule 19C.07(4) of the Hong Kong Listing Rules (the "**AGM Resolution**") so as to require our Company to hold an annual general meeting each year for so long as our Company remains listed on the Hong Kong Stock Exchange. We undertake to put forth resolutions at the Next AGM to revise our Articles of Association, so that we are required to provide at least 14 days' notice for any general meetings and a members' right to vote shall be subject to the Hong Kong Listing Rules (together with the AGM Resolution, the "**Proposed Resolutions**"). Our executive directors and officers, Baidu Holdings Limited, and MIH Internet Holdings B.V. (an affiliate of Naspers Limited) will give, before the Listing, an irrevocable undertaking that they will use their voting rights to vote in favor of the Proposed Resolutions. Our Company and our board undertake (i) that we will convene an AGM each year with at least 14 days of notice after the Listing and (ii) for so long as the Company remains listed on the Hong Kong Stock Exchange, in the event that the Proposed Resolutions are not approved by our Shareholders, to put forth the Proposed Resolutions (to the extent not yet passed) at each AGM until all of the Proposed Resolutions are passed. See "Risk Factors—Risks Relating to our Shares, Our ADSs and the Listing—As a company applying for listing under Chapter 19C, we adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange", "Information about the Listing" and "Waivers and Exemptions—Shareholder Protection Requirements" for further details.

## OFFERING STATISTICS

	<b>Based on the indicative offer price per Offer Share of HK\$333.00 for the Hong Kong Public Offering and the International Offering</b>
Our market capitalization <sup>(1)</sup>	HK\$210,692.8 million
Pro forma adjusted net tangible assets per Share <sup>(2)</sup>	RMB57.63 or HK\$68.47

*Notes:*

- (1) The calculation of market capitalization is based on 632,711,112 Shares that will be in issue immediately following the Global Offering and after accounting for the Share Subdivision, without taking into account any allotment and issuance of Shares upon exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs that we may make.
- (2) The pro forma adjusted net tangible assets per Share is based on a total of 632,711,112 Shares that will be in issue assuming that the Global Offering had been completed on December 31, 2020 and after accounting for the Share Subdivision, without taking into account any allotment and issuance of Shares upon exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares that we may make.

## DETERMINATION OF OFFER PRICE

We will determine the pricing for the Offer Shares for the Global Offering on the Price Determination Date, which is expected to be on or about Tuesday, April 13, 2021 and, in any event, no later than Friday, April 16, 2021, by agreement with the Joint Representatives (for themselves and on behalf of the Underwriters).



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## SUMMARY

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We will determine the Hong Kong Offer Price by reference to, among other factors, the closing price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date, and the Hong Kong Offer Price will not be more than HK\$333.00 per Hong Kong Offer Share.

We may set the International Offer Price at a level higher than the maximum Hong Kong Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Hong Kong Offer Price as stated in this document and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Hong Kong Offer Price based on the level of interest expressed by professional and institutional investors during the book-building process.

If the International Offer Price is set at or lower than the maximum Hong Kong Offer Price, the Hong Kong Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will we set the Hong Kong Offer Price above the maximum Hong Kong Offer Price as stated in this document or the International Offer Price.

### LISTING EXPENSES

We expect to incur listing expenses of approximately RMB150 million (assuming a Hong Kong Offer Price and International Offer Price of HK\$333.00 and the Over-allotment Option is not exercised), representing approximately 1.7% of the gross proceeds from the Global Offering. We expect to recognize RMB2 million as general and administrative expenses in the year ended December 31, 2021 and RMB148 million as a deduction in equity directly.

### NO MATERIAL ADVERSE CHANGE

Our directors confirm that, as of the date of this document, except as disclosed herein, there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there has been no event since December 31, 2020 that would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I.

### IMPACT OF THE COVID-19 PANDEMIC AND RECENT DEVELOPMENT

The global travel market has taken a hit from the COVID-19 pandemic, due to the travel restrictions and a great number of canceled trips for both business and pleasure purposes, as well as a decrease in economic activities globally, according to the Analysys Report. Nevertheless, as vaccines roll out globally and the total vaccination rate continues to climb, it is estimated that the pandemic would be effectively contained, which in turn lays the foundation for a rapid resurgence of the global travel market. Driven by people's increasing interest in travel, rising spending power and a possible rebound consumption boom, China's and global travel market is estimated to recover to the pre-COVID level in 2021 and 2022, respectively, according to the Analysys Report. See "Industry Overview—Industry Recovery and New Norms after the COVID-19 Pandemic."

Our results of operations for the year ended December 31, 2020 have been significantly and negatively impacted by the COVID-19 pandemic. The pandemic drove a significant decline in travel demand resulting in reservation cancelations and reduced new orders. In addition, the allowance for credit losses and impairments of long-term investments both increased. In response to the COVID-19 pandemic, we have swiftly adopted cost control measures to mitigate a significant slowdown in user demand. As the COVID-19 pandemic is still evolving, we will continuously review the provisions for losses and make adjustment accordingly.

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## SUMMARY

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For the year ended December 31, 2020, our revenues were materially and adversely affected as a result of the domestic and international travel restrictions and significant incremental costs and expenses incurred to facilitate our users' cancellations and refund requests. While we have seen recovery in the China travel market since the second half of 2020 due to the substantial containment of the COVID-19 pandemic in China, we have seen a slower recovery of the international travel market, and in turn, a slower recovery of our international business. In addition, we made provisions for the expected difficulty in collection of receivables, which resulted in additional allowance for expected credit losses from the receivables due from our customers, and significant downward adjustments and impairment to our long-term investments as the impacts of the COVID-19 pandemic on certain of our long-term investments are considered to be other than temporary. In 2020, we recognized allowance for credit losses of RMB700 million primarily for our ecosystem partners, such as airlines, hotels, and packaged-tour providers in China and globally, and impairments of long-term investments of RMB905 million, compared to RMB191 million and RMB205 million in 2019, respectively. Our net revenues for the year ended December 31, 2020 decreased by 49% from 2019. While the duration and the development of the pandemic is difficult to predict, our performance generally improved starting from the third quarter of 2020 compared to the first two quarters, in terms of our key financial metrics such as revenues and gross margin, and we have recorded net income in each of the third and fourth quarter of 2020, compared with net loss recorded in the first and second quarters of 2020, benefiting from the containment of the COVID-19 pandemic in China starting from the third quarter of 2020. Our GMV decreased by 51%, 72%, 51%, and 45% in the first, second, third, and fourth quarter of 2020, each comparing to the respective periods in 2019. In each of the third and fourth quarter of 2020, we recorded a reversal of allowance for credit losses for our travel ecosystem partners reflecting the improvement in credit risk profile with domestic travel industry recovery. In particular, we recorded reversal of allowance for credit losses for our ecosystem partners, including major airlines in China as they gradually recovered from the COVID 19 pandemic. As a result, our allowance for credit losses increased from the pre-COVID level in the first quarter of 2020, followed by a decrease thereafter. Since the third quarter of 2020, we have also seen reservation cancellation rate of users dropping back to the level prior to the COVID-19 pandemic, which was substantially lower than the reservation cancellation rate in the first quarter of 2020. In the third and fourth quarters of 2020, no significant impairment expense was realized on our long-term investments.

The global spread of COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the extent to which it may affect our financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted. Since the beginning of 2021, a few waves of COVID-19 infections have emerged in various regions of China. In early 2021, precautionary measures, including varying levels of travel restrictions and encouragement of reduced travel during the Chinese New Year, were reinstated in China. These travel restrictions reduce users' demand for our products, and are expected to materially and adversely affect our results of operations in the first quarter of 2021 and potentially beyond. According to the Analysys Report, the travel market in China exhibited a quick rebound after the Chinese New Year. See "Risk Factors—Risks Relating to Our Business and Industry—Pandemics (such as COVID-19), epidemics, or fear of spread of contagious diseases could disrupt the travel industry and our operations, which could materially and adversely affect our business, financial condition, and results of operations."

Any future outbreak of contagious diseases or similar adverse public health developments, extreme unexpected bad weather, or severe natural disasters would affect our business and operating results. Ongoing concerns regarding contagious disease or natural disasters, particularly its effect on travel, could adversely affect our users' desire to travel. If there is a recurrence of an outbreak of certain contagious diseases or natural disasters, travel to and from affected regions could be curtailed. Public policy regarding, or governmental restrictions on, travel to and from these and other regions on



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## SUMMARY

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account of an outbreak of any contagious disease or occurrence of natural disasters could materially and adversely affect our business and operating results.

### **Extraordinary General Meeting of Shareholders to approve Share Subdivision**

The Company held an extraordinary general meeting of shareholders on March 18, 2021. A proposal of changing the Company's authorized share capital by one-to-eight subdivision of shares was submitted to the Company's shareholders to be considered and voted upon at the meeting. The Company's board of directors approved a change in the ADS ratio proportionate to the Share Subdivision from eight (8) ADSs representing one (1) ordinary share to one (1) ADS representing one (1) ordinary share, which took effect on March 18, 2021.

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## DEFINITIONS

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*In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of Technical Terms.”*

<b>“Accountant’s Report”</b>	accountant’s report for the years ended December 31, 2018, 2019, and 2020 in Appendix I
<b>“ADS(s)”</b>	American Depositary Share(s) (each representing one Share)
<b>“ADS Ratio Change”</b>	the change in ADS ratio proportionate to the Share Subdivision from eight ADSs representing one ordinary share to one ADS representing one Share, effective on March 18, 2021
<b>“Analysys”</b>	ANALYSYS LTD (北京易觀智庫網絡科技有限公司)
<b>“Analysys Report”</b>	the report prepared by Analysys
<b>“Articles” or “Articles of Association”</b>	our Articles of Association, adopted by a special resolution passed on December 21, 2015, a summary of which is set out in Appendix III
<b>“associate(s)”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules
<b>“board” or “board of directors”</b>	our board of directors
<b>“business day”</b>	any day (other than a Saturday, Sunday, or public holiday) on which banks in Hong Kong or other relevant jurisdictions are generally open for business
<b>“Cayman Companies Act”</b>	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC
<b>“CCASS Clearing Participant”</b>	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
<b>“CCASS Custodian Participant”</b>	a person admitted to participate in CCASS as a custodian participant
<b>“CCASS Investor Participant”</b>	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
<b>“CCASS Participant”</b>	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
<b>“China” or “the PRC”</b>	the People’s Republic of China, excluding, for the purposes of this document only, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China, and Taiwan, except where the context requires otherwise
<b>“close associate(s)”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

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## DEFINITIONS

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<b>“Companies (Winding Up and Miscellaneous Provisions) Ordinance”</b>	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
<b>“Company,” “our Company,” or “the Company”</b>	Trip.com Group Limited (formerly known as Ctrip.com International, Ltd.), a company with limited liability incorporated in the Cayman Islands on March 3, 2000
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules
<b>“connected transaction(s)”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules
<b>“core connected person(s)”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules
<b>“CSRC”</b>	the China Securities Regulatory Commission (中國證券監督管理委員會)
<b>“Deposit Agreement”</b>	the deposit agreement, dated as of December 8, 2003, as amended, among us, The Bank of New York Mellon and ADS holders and beneficial owners from time to time
<b>“director(s)”</b>	member(s) of our board
<b>“DTC”</b>	The Depository Trust Company, the central book-entry clearing and settlement system for equity securities in the United States and the clearance system for our ADSs
<b>“Extreme Conditions”</b>	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
<b>“foreign private issuer”</b>	as such term is defined in Rule 3b-4 under the U.S. Exchange Act
<b>“Global Offering”</b>	the Hong Kong Public Offering and the International Offering
<b>“Greater China”</b>	for purposes of this document only, the mainland China, Hong Kong, the Macao Special Administrative Region of China, and Taiwan
<b>“GREEN Application Form(s)”</b>	the application form(s) to be completed by the White Form eIPO Service Provider
<b>“Group,” “our Group,” “the Group,” “we,” “us,” or “our”</b>	our Company, subsidiaries and consolidated affiliated entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
<b>“HK” or “Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“HK\$,” “HK dollars,” or “Hong Kong dollars”</b>	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited
<b>“HKSCC Nominees”</b>	HKSCC Nominees Limited
<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Hong Kong Offer Price”</b>	the final offer price per Hong Kong Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
<b>“Hong Kong Offer Shares”</b>	the Shares offered pursuant to the Hong Kong Public Offering
<b>“Hong Kong Public Offering”</b>	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Hong Kong Offer Price on the terms and conditions described in this document
<b>“Hong Kong Share Registrar”</b>	Computershare Hong Kong Investor Services Limited
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Hong Kong Underwriters”</b>	the underwriters of the Hong Kong Public Offering as listed in “Underwriting—Hong Kong Underwriters”
<b>“Hong Kong Underwriting Agreement”</b>	the underwriting agreement, dated April 7, 2021, relating to the Hong Kong Public Offering, entered into by, among others, the Joint Representatives, the Hong Kong Underwriters and our Company
<b>“International Offer Price”</b>	the final offer price per International Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
<b>“International Offer Shares”</b>	the Shares offered pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
<b>“International Offering”</b>	the offer of the International Offer Shares at the International Offer Price pursuant to the shelf registration statement on Form F-3 that was filed with the SEC and automatically effective on September 25, 2019, a preliminary prospectus supplement, and a final prospectus supplement
<b>“International Underwriters”</b>	the underwriters of the International Offering
<b>“International Underwriting Agreement”</b>	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Representatives, the International Underwriters and us on or about April 13, 2021

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## DEFINITIONS

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<b>“Joint Bookrunners,” “Joint Global Coordinators,” “Joint Lead Managers,” “Joint Representatives”</b>	the joint bookrunners, the joint global coordinators, the joint lead managers, and the joint representatives as named in “Directors and parties involved in the Global Offering”
<b>“Joint Sponsors”</b>	the Joint Sponsors of the Listing as named in “Directors and parties involved in the Global Offering”
<b>“Latest Practicable Date”</b>	March 31, 2021, being the latest practicable date for ascertaining certain information in this document before its publication
<b>“Listing”</b>	the listing we are seeking on the Hong Kong Stock Exchange under Chapter 19C of the Hong Kong Listing Rules
<b>“Listing Committee”</b>	the Listing Committee of the Hong Kong Stock Exchange
<b>“Listing Date”</b>	the date, expected to be on or about April 19, 2021, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Hong Kong Stock Exchange
<b>“M&amp;A Rules”</b>	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) promulgated by the MOFCOM and other governmental authorities on August 8, 2006, effective on September 8, 2006, and subsequently amended on June 22, 2009
<b>“Main Board”</b>	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
<b>“Memorandum” or “Memorandum of Association”</b>	our memorandum of association as adopted by a special resolution passed on December 21, 2015, a summary of which is set out in Appendix III
<b>“MIIT”</b>	the PRC Ministry of Industry and Information Technology (中華人民共和國工業和信息化部) (formerly known as the PRC Ministry of Information Industry (中華人民共和國信息產業部))
<b>“MOFCOM”</b>	the PRC Ministry of Commerce (中華人民共和國商務部) (formerly known as the PRC Ministry of Foreign Trade and Economic Cooperation (中華人民共和國對外經濟貿易部))
<b>“Nasdaq”</b>	Nasdaq Stock Market
<b>“NDRC”</b>	the PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
<b>“Offer Share(s)”</b>	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option

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## DEFINITIONS

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<b>“Over-allotment Option”</b>	the option we expect to grant to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) under the International Underwriting Agreement, which may require us to allot and issue up to an aggregate of 4,745,300 additional Offer Shares at the International Offer Price to, among other things, cover over-allocations in the International Offering, if any
<b>“PCAOB”</b>	the Public Company Accounting Oversight Board
<b>“PRC Legal Advisor”</b>	Commerce & Finance Law Offices, our legal advisor on PRC laws
<b>“Price Determination Date”</b>	the date, expected to be on or about April 13, 2021 and in any event no later than April 16, 2021, on which the International Offer Price and the Hong Kong Offer Price is to be fixed for the purposes of the Global Offering
<b>“Qualifying Issuer”</b>	has the meaning given to it under Chapter 19C of the Hong Kong Listing Rules
<b>“Qunar”</b>	Qunar Cayman Islands Limited, a Cayman Islands company incorporated on July 31, 2006, and unless the context requires otherwise, includes its predecessor entities and consolidated subsidiaries and consolidated affiliated Chinese entities
<b>“Regulation S”</b>	Regulation S under the U.S. Securities Act
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of China
<b>“SAFE”</b>	the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
<b>“SAIC”</b>	the PRC State Administration of Industry and Commerce (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
<b>“SAMR”</b>	the PRC State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)
<b>“SEC”</b>	the U.S. Securities and Exchange Commission
<b>“SFC”</b>	Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Share(s)”</b>	ordinary shares of the share capital of our Company with a par value of US\$0.00125 each following the Share Subdivision

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## DEFINITIONS

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<b>“Share Incentive Plans”</b>	the 2007 Plan and the Second A&R Global Plan, details of which are set out in “Directors and Senior Management – Compensation”
<b>“Share Subdivision”</b>	the subdivision of each issued and unissued ordinary share of a nominal or par value of US\$0.01 each in the capital of the Company into eight (8) ordinary shares of a nominal or par value of US\$0.00125 each in the capital of the Company, effective from March 18, 2021
<b>“Shareholder(s)”</b>	holder(s) of our Share(s)
<b>“Significant Subsidiaries”</b>	our subsidiaries and consolidated affiliated entities as identified in “History and Corporate Structure—Significant Subsidiaries”
<b>“Skyscanner”</b>	Skyscanner Holdings Limited, a company incorporated in England and Wales on September 16, 2011
<b>“STA”</b>	the PRC State Taxation Administration (中華人民共和國國家稅務總局)
<b>“Stabilization Manager”</b>	J.P. Morgan Securities (Asia Pacific) Limited
<b>“Stock Borrowing Agreement”</b>	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Baidu Holdings Limited and J.P. Morgan Securities plc pursuant to which J.P. Morgan Securities plc may borrow up to 4,745,300 Shares from Baidu Holdings Limited to facilitate the settlement of over-allocations
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it in section 15 of the Companies Ordinance
<b>“substantial shareholder(s)”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules
<b>“Takeovers Code”</b>	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
<b>“Track Record Period”</b>	the years ended December 31, 2018, 2019, and 2020
<b>“U.S.,” “US,” or “United States”</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“U.S. dollars,” “U.S. dollars,” or “US\$”</b>	United States dollars, the lawful currency of the United States
<b>“U.S. Exchange Act”</b>	the United States Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder
<b>“U.S. GAAP”</b>	accounting principles generally accepted in the United States

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## DEFINITIONS

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<b>“U.S. Securities Act”</b>	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
<b>“Underwriters”</b>	the Hong Kong Underwriters and the International Underwriters
<b>“Underwriting Agreements”</b>	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
<b>“VAT”</b>	value-added tax
<b>“VIE(s),” “variable interest entity(ies),” or “consolidated affiliated Chinese entities”</b>	our variable interest entities, the financial results of which are consolidated into our consolidated financial statements as if they were our subsidiaries
<b>“VIE structure” or “Contractual Arrangement(s)”</b>	variable interest entity structure and, where the context requires, the agreements underlying the structure
<b>“White Form eIPO”</b>	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
<b>“White Form eIPO Service Provider”</b>	Computershare Hong Kong Investor Services Limited
<b>“%”</b>	per cent



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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.*

<b>“AI”</b>	artificial intelligence
<b>“automation rate”</b>	percentage of our user’s issues that could be resolved with automated user support on Ctrip mobile application
<b>“business travel”</b>	travel for work or business purposes
<b>“domestic travel”</b>	visits within a country by travelers who are residents of that country
<b>“GDS”</b>	global distribution system, a computerized network system that has real-time link to our ecosystem partners’ inventory
<b>“GMV”</b>	gross merchandise volume, the total value of merchandise sold through our platform during a given period
<b>“inbound travel”</b>	visits to a country by travelers who are not residents of that country
<b>“mass leisure travel”</b>	leisure-oriented travel involving expenditure on budget hotels (three-star and below), train and coach tickets, tour tickets, lower-end packaged tours, self-guided tours, and daycations, excluding those included in quality leisure travel
<b>“OTA”</b>	online travel agencies
<b>“our platform” or “our one-stop travel platform”</b>	mobile applications, other mobile access channels, multi-lingual websites, offline stores, and customer service centers through which we provide a wide range of products, service, and content offerings to our users
<b>“outbound travel”</b>	visits by residents of a country outside that country
<b>“quality leisure travel”</b>	leisure-oriented travel involving expenditure on mid-to-upscale hotels (four-star and above), air tickets, car rental and chauffeured car services, smaller-group (with less than 10 travelers) packaged tours and self-guided tours with customized tour plan and butler services, and mid-to-upscale hotel products, private daycations with customized tour plan and butler services, VIP tour tickets, and other premium leisure travel features

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules,” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties, and other factors, some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties, and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Hong Kong Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

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## RISK FACTORS

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*You should carefully consider all of the information set forth in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that we are a company incorporated and registered in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be materially and adversely affected by any of these risks.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

***Pandemics (such as COVID-19), epidemics, or fear of spread of contagious diseases could disrupt the travel industry and our operations, which could materially and adversely affect our business, financial condition, and results of operations.***

Global pandemics, epidemics in China or elsewhere in the world, or fear of spread of contagious diseases, such as Ebola virus disease (EVD), coronavirus disease 2019 (COVID-19), Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu, and avian flu could disrupt the travel industry and our business operations in China and elsewhere in the world, reduce or restrict demand for travel and travel-related products and services, or result in regional or global economic distress, which may materially and adversely affect our business, financial condition, and results of operations. Any one or more of these events or recurrence may adversely affect our sales results, or even for a prolonged period of time, which could materially and adversely affect our business, financial condition, and results of operations.

The current COVID-19 pandemic has already adversely affected many aspects of our business. Since January 2020, we have experienced, and may continue to experience, a significant decline in travel demand resulting in significant user cancellations and refund requests and reduced new orders relating to international and domestic travel and lodging. Since February 2020, supply of domestic transportation tickets and international air tickets also has dropped significantly in response to comprehensive containment measures in China and other international regions. We have actively assisted our users in their cancellation and refund requests and have been working with our ecosystem partners to prepare for difficult market conditions, for which we have incurred and may continue to incur significant cash outflows.

In addition, our China-based facilities underwent temporary yet prolonged closure in February 2020, and most of our employees had worked from home for weeks before they reported back to work, both as part of China's nationwide efforts to contain the spread of the COVID-19. We and our ecosystem partners are still recovering from the general shutdown and delay in commencement of operations in China. Even though our business is currently operational, if the COVID-19 situation deteriorates, our service capacity and operational efficiency may be adversely affected again due to insufficient workforce as a result of temporary travel restrictions in China and the necessity to comply with disease control protocols in our business facilities. Our ecosystem partners' abilities to timely deliver products and services and respond to rescheduling or cancellation requests have been, and again may be, adversely affected for similar reasons, especially those located in critical regions in China.

The global spread of COVID-19 have also affected our overseas ecosystem partners and employees working outside China. While the duration of this disruption to our business and related financial impacts cannot be reasonably estimated at this time, we expect that our overseas business will continue to be adversely affected in 2021. The pandemic drove a significant decline in travel demand resulting in reservation cancellations and reduced new orders. In addition, the allowance for credit losses and impairments of long-term investments both increased. In response to the COVID-19

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## RISK FACTORS

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pandemic, we have swiftly adopted cost control measures to mitigate a significant slowdown in user demand. For the year ended December 31, 2020, our revenues were materially and adversely affected as a result of the domestic and international travel restrictions and significant incremental costs and expenses incurred to facilitate our users' cancellations and refund requests. Our net revenues in 2020 decreased by 49% from 2019, and we recorded net loss of RMB3.3 billion in 2020. In addition, we made provisions for the expected difficulty in collection of receivables, which resulted in additional allowance for expected credit losses from the receivables due from our customers, and significant downward adjustments and impairment to our long-term investments as the impacts of the COVID-19 pandemic on certain of our long-term investments are considered to be other than temporary. While the duration and the development of the pandemic is difficult to predict, our performance in terms of our key financial metrics such as revenues and gross margin generally improved starting from the third quarter of 2020 compared to the first two quarters, benefiting from the containment of the COVID-19 pandemic in China starting from the third quarter of 2020. Quarantine measures or travel restrictions imposed by government authorities may significantly impede cross-border travel. We have seen a slower recovery of the international travel market and, in turn, a slower recovery of our international business. We have noted Chinese travelers shifting their preferences towards emerging demand for short-haul travel, local trips, and domestic boutique and premium accommodation experiences. We have introduced novel products in order to capture these emerging trends and have proactively leveraged our live streaming function to promote local attractions and activities. However, we cannot assure you that these initiatives will be effective as expected, or that we will be able to act promptly to cater to the travelers' emerging traveling preferences in the future. We will continue to monitor and evaluate the financial impacts on our financial condition, results of operations, and cash flows in future periods. In the event of prolonged impact of the COVID-19 pandemic on our financial condition and cash flows, we cannot assure you that additional financing will be available to us on reasonable terms, or at all, should we require it. The global spread of COVID-19 pandemic in a significant number of countries around the world, such as the United States, has resulted in, and may intensify, global economic distress, and the extent to which it may affect our financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted. In addition, the recent financial turmoil leading to volatility in the financial and securities markets, especially since the COVID-19 pandemic, has generally made access to capital less certain and increased the cost of obtaining new capital. As we manage through the slowdown in our business due to the COVID-19 pandemic, we cannot assure you that additional financing will be available to us on reasonable terms, or at all.

Our China business showed strong recovery momentum starting from the third quarter of 2020. However, we cannot assure you that the COVID-19 pandemic can be eliminated or contained in the near future, or at all, or a similar outbreak will not occur again. Since the beginning of 2021, a few waves of COVID-19 infections have emerged in various regions of China. In early 2021, precautionary measures, including varying levels of travel restrictions and encouragement of reduced travel during the Chinese New Year, were reinstated in China. These travel restrictions reduce users' demand for our products, and are expected to materially and adversely affect our results of operations in the first quarter of 2021 and potentially beyond. We cannot assure you when these travel restrictions will be lifted. If the COVID-19 pandemic and the resulting disruption to our business were to extend over a prolonged period, it could materially and adversely affect our business, financial condition, and results of operations.

***Our business could suffer if we do not successfully manage current growth and potential future growth, or if we are unable to execute our strategies effectively.***

Our business has grown significantly as a result of both organic growth of existing operations and acquisitions, and, despite the current COVID-19 pandemic, we may experience such growth from

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## RISK FACTORS

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time to time in the future. We have significantly expanded, and may further expand, our operations and workforce, as a result of the continued growth of our service offerings, user base, and geographic coverage. For example, we have invested in, and may continue to invest in, organic growth by rolling out new business initiatives focusing on a diverse range of areas including expanding our one-stop travel offerings and upgrading our content capabilities. For the year ended December 31, 2020, we invested RMB7.7 billion in product development. If such new business initiatives fail to perform as expected, our financial condition and results of operations could be adversely affected. Our growth to date has placed, and our anticipated future operations will continue to place, significant strain on our management, systems, and resources. In addition to training and managing our workforce, we will need to continue to improve and develop our financial and managerial controls and our reporting systems and procedures. We cannot assure you that we will be able to efficiently or effectively manage the growth of our operations, and any failure to do so may limit our future growth and hamper our business strategy.

We are growing our global presence through a combination of owned brands, direct investments as well as strategic partnerships. As we continue to increase our product and service offerings, we will further upgrade our content capabilities and deliver more appealing content in new and diversified formats, including live streaming, to improve user engagement. In addition, we will continue to invest in AI, big data analytics, and cloud technologies, and further enhance our technology and cloud infrastructure. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth or to execute all these strategies successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

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

We sustained net losses in the past, and we cannot assure you that we can sustain profitability or avoid net losses in the future. Due to the impact of the COVID-19 pandemic, we recorded net loss of RMB3.3 billion in 2020. Although we swiftly adopted cost control measures in response to the COVID-19 pandemic, our operating expenses may still increase in the future and the degree of increase in these expenses is largely based on anticipated growth, revenue trends and competitive pressure. As a result, any decrease or delay in generating additional sales volume and revenues and increase in our operating expenses may result in substantial operating losses. Moreover, consolidation of Qunar's financial statements starting from December 31, 2015 had negatively impacted our financial statements previously, which may happen again in the future.

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

The COVID-19 pandemic had a severe and negative impact on the Chinese and the global economy in 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of the COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats, and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and certain other countries,

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## RISK FACTORS

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including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations, and tariffs. The terms of the United Kingdom's exit from the European Union, commonly referred to as "Brexit," resulting in market volatility and exchange rate fluctuations from time to time both globally and most specifically in the United Kingdom and rest of the Europe. Brexit has created significant uncertainty about the future relationship between the United Kingdom and the European Union. These developments, or the perception that any of them could occur, may adversely affect European and worldwide economic and market conditions. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations, and financial condition.

Our business and operations are primarily based in China and most of our revenues are derived from our operations in China. Accordingly, our financial results have been, and are expected to continue to be, affected by the economy and travel industry in China. Since we derive the majority of our revenues from accommodation reservation, transportation ticketing, and packaged-tour and in-destination activity services in China, any severe or prolonged slowdown in the global or Chinese economy or the recurrence of any financial disruptions could reduce expenditures for travel, which in turn may adversely affect our results of operations and financial condition in a number of ways. For example, the weakness in the economy could erode consumer confidence which, in turn, could result in changes to consumer spending patterns relating to travel products and services. If consumer demand for travel products and services we offer decreases, our revenues may decline. Furthermore, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

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

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

- actual or threatened war or terrorist activities;
- the COVID-19 pandemic;
- an outbreak of EVD, MERS, SARS, H1N1 flu, H7N9 flu, and avian flu, or any other serious contagious diseases;
- increasing prices in the hotel, transportation ticketing, or other travel-related sectors;
- increasing occurrence of travel-related accidents;
- political unrest, civil strife, or other geopolitical uncertainty;
- natural disasters or poor weather conditions, such as hurricanes, earthquakes, or tsunamis, as well as the physical effects of climate change, which may include more frequent or severe storms, flooding, rising sea levels, water shortage, droughts, and wildfires; and
- any travel restrictions in China and elsewhere in the world, such as entry restrictions related to the COVID-19 pandemic and quarantine measures or other security procedures implemented in connection with any major events in China and elsewhere in the world.



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We could be severely and adversely affected by declines or disruptions in the travel industry and, in many cases, have little or no control over the occurrence of such events. Such events could result in a decrease in demand for our travel and travel-related products and services. This decrease in demand, depending on the scope and duration, could significantly and adversely affect our business and financial performance over the short and long term. For a discussion of impact of the COVID-19 pandemic on our business, see “—Pandemics (such as COVID-19), epidemics, or fear of spread of contagious diseases could disrupt the travel industry and our operations, which could materially and adversely affect our business, financial condition, and results of operations.”

***If we are unable to maintain existing relationships with ecosystem partners and strategic alliances, or unable to establish new arrangements with ecosystem partners and strategic alliances at or on favorable terms or at terms similar to those we currently have, or at all, our business, market share, and results of operations may be materially and adversely affected.***

We rely on ecosystem partners, such as hotels and airlines, and other third party agents to make their services available to users through us, and our business prospects depend on our ability to maintain and expand relationships with ecosystem partners and other third party agents. If we are unable to maintain satisfactory relationships with our existing ecosystem partners, or if our ecosystem partners establish similar or more favorable relationships with our competitors, or if our ecosystem partners increase their competition with us through their direct sales, or if any one or more of our ecosystem partners significantly reduce participation in our services for a sustained period of time or completely withdraw participation in our services, our business, market share, and results of operations may be materially and adversely affected. To the extent any of those major or popular ecosystem partners ceased to participate in our services in favor of one of our competitors’ systems or decided to require consumers to purchase services directly from them, our business, market share, and results of operations may suffer.

Our business depends significantly upon our ability to contract with hotels in advance for the guaranteed availability of certain hotel rooms. We rely on hotel partners to provide us with rooms at discounted prices. However, our contracts with our hotel partners are not exclusive and most of the contracts must be renewed semi-annually or annually. We cannot assure you that our hotel partners will renew our contracts in the future on favorable terms or terms similar to those we have agreed to. The hotel partners may reduce the commission rates on bookings made through us. Furthermore, in order to maintain and grow our business and to effectively compete with many of our competitors in all potential markets, we will need to establish new arrangements with hotels and accommodations of all ratings and categories in our existing markets and in new markets. We cannot assure you that we will be able to identify appropriate hotels or enter into arrangements with those hotels on favorable terms, if at all. Such failure could harm the growth of our business and adversely affect our operating results and financial condition, which consequently will impact the trading price of our Shares and ADSs.

We derive revenues and other significant benefits from our arrangements with major domestic airlines in China and international airlines. Our airline ticket partners allow us to book and sell tickets on their behalf and collect commissions on tickets booked and sold through us. Although we currently have supply relationships with these airlines, they also compete with us for ticket bookings and have entered into similar arrangements with many of our competitors and may continue to do so in the future. Such arrangements may be on better terms than we have. On July 1, 2016, the four largest airlines in China announced that third-party ticketing agents are prohibited from selling tickets for domestic flights on third-party platforms, such as ours. Additionally, on July 1, 2016, most major domestic airlines also replaced their commissions and rebate incentives completely with a reduced, fixed “admin fee” per ticket. The loss of ecosystem partner relationships or further adverse changes in major business terms with our ecosystem partners would materially impair our operating results and financial condition as we would lose an increasingly significant source of our revenues.

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We generated part of our revenues through commissions from ecosystem partners that we form strategic alliances with, including our hotel partners, airline ticket partners and other ecosystem partners. We cannot assure you, however, that we will be able to successfully establish and maintain strategic alliances with third parties which are effective and beneficial for our business. Our inability to do so could have a material adverse effect on our market penetration, revenue growth and profitability.

***Strategic acquisition of complementary businesses and assets create significant challenges, such as dilutive effect on our equity securities and impact on our financial performance, that may materially and adversely affect our business, reputation, results of operations, and financial condition.***

We have made and intend to continue to make strategic acquisitions in the travel industry in Greater China and overseas. For example, in October 2015, we completed a share exchange transaction with Baidu Inc., or Baidu, whereby we obtained approximately 45% of the aggregate voting interest of Qunar in exchange for our newly issued ordinary shares. Subsequently, we issued ordinary shares represented by ADSs to certain special purpose vehicles holding shares solely for the benefit of certain Qunar employees and, in return, we received Class B ordinary shares of Qunar from these employees. We directly injected these shares to a third-party investment entity dedicated to investing in business in China. From an accounting perspective, we consolidated the financial statements of these non-U.S. investment entities and started to consolidate Qunar's financial statements from December 31, 2015. In October 2016, we participated as a member in the buying consortium in Qunar's going-private transaction and rolled our then existing equity stake into the entity that wholly owns Qunar upon the completion of the transaction in February 2017. In addition, in December 2016, we consummated an acquisition transaction whereby shares held by nearly all of the shareholders of Skyscanner, a leading global travel search site headquartered in Edinburgh, United Kingdom, were acquired by Trip.com Group (then known as Ctrip.com International, Ltd.).

If we are presented with appropriate opportunities, we may continue to acquire complementary businesses and assets in the future. However, strategic acquisitions and the subsequent integration of new businesses and assets into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could adversely affect our business operations. In addition, acquisitions could result in potential dilutive issuances of equity securities, use of substantial amounts of cash, and exposure to potential ongoing financial obligations and unforeseen or hidden liabilities of the acquired business. The cost and duration of, and difficulties in, integrating newly acquired businesses and managing a larger overall business could also materially exceed our expectations. Moreover, we may not be able to achieve our intended strategic strategies and record substantial impairment charges to goodwill, if we fail to successfully integrate the newly acquired business or manage a larger business. Any such negative developments could materially and adversely affect our business, reputation, results of operations, and financial condition.

***Our strategy to invest in complementary businesses and assets and establish strategic alliances involves significant risk and uncertainties that may have a material adverse effect on our business, reputation, financial condition, and results of operations.***

As part of our plan to expand our product and service offerings, we have made and intend to make strategic investments in the travel service industries in Greater China and overseas. In addition to our transactions relating to Qunar and Skyscanner described elsewhere in this prospectus, the investments and acquisitions we made in the past few years include, among others: (i) our acquisition of 38% share capital of eLong, Inc. in May 2015, and a subsequent equity investment in the Tongcheng-Elong Holdings Limited (SEHK: 0780) in March 2018 in exchange for our prior holdings in eLong, Inc.; (ii) investment of approximately RMB3.0 billion in approximately 466 million A shares of China Eastern Airlines in a private placement; (iii) the exchange of our previously held equity



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interest in Homeinns Hotel Group for 22% equity interest of BTG Hotels (Group) Co., Ltd.; (iv) our share exchange with Naspers Limited and our investment in the ordinary shares and Class B shares of MakeMyTrip Limited in August 2019; (v) our acquisition of substantially all of the remaining equity interest of an offline travel agency company in which we previously held approximately 48% equity interest in May 2018; and (vi) other investments including Tujia, a leading alternative accommodation platform in China. In addition, in November 2019, we and TripAdvisor, Inc. (Nasdaq: TRIP), or TripAdvisor, agreed on a strategic partnership to expand global cooperation through various contracts. We and TripAdvisor agreed through our respective subsidiaries to form and jointly control a joint venture. To broaden our product offerings and enrich our platform content, we and TripAdvisor have agreed to share inventory in travel categories by means of presenting travel product offerings and contents of both companies on our platform as well as on the platform of TripAdvisor. In November 2019, we obtained control of an online travel agency company in which we previously had held 51% equity interest with substantive participating rights being held by the non-controlling shareholder. For a discussion of our investments and acquisitions, see “History and Corporate Structure—Acquisitions, disposals and strategic investments.”

If the ADS or share prices of the public companies that we have invested in or may invest in the future which are classified as equity securities with readily determinable fair values investments decline and become lower than our share purchase prices, as have happened historically, we could record changes in fair value recorded in the income statement under U.S. GAAP, which in turn would adversely affect our financial results for the relevant periods. In addition, if any of our investees in which our investments are classified as equity method investments incur net losses in the future, we will share their net losses proportionate to our equity interest in them.

Our strategic investments could also subject us to other uncertainties and risks, and our failure to address any of these uncertainties and risks, among others, may have a material adverse effect on our financial condition and results of operations:

- diversion of our resources and management attention;
- high acquisition and financing costs;
- failure to achieve our intended objectives or benefits in making these investments or revenue-enhancing opportunities;
- exposure to liabilities, third-party claims, or legal proceedings involving our invested or acquired business;
- potential claims or litigation regarding our board’s exercise of its duty of care and other duties required under applicable law in connection with any of our significant investments approved by the board; and
- failure to be in full compliance with applicable laws, rules and regulations.

In particular, our strategy of investing in a competing business could be adversely affected by uncertainties in the implementation and enforcement of the PRC Anti-Monopoly Law. Under the PRC Anti-Monopoly Law, companies undertaking mergers, acquisitions, or other transactions that may be deemed as concentrations in China must notify the anti-monopoly law enforcement authority of the PRC State Council, which currently is the SAMR, in advance of any transaction where the parties’ revenues in the China market and global market exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the target. There are numerous factors the anti-monopoly law enforcement authority considers in determining “concentrations,” depending on certain criteria, the anti-monopoly law enforcement authority will conduct anti-monopoly review of transactions in respect of which it was notified, including (1) merger of undertakings; (2) acquisition of control over other undertakings by an undertaking by acquiring equities or assets; or (3) acquisition of control over, or the

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possibility of exercising decisive influence on, other undertakings by an undertaking by contract or by any other means. In light of the uncertainties relating to the interpretation, implementation and enforcement of the PRC Anti-Monopoly Law, we cannot assure you that the anti-monopoly law enforcement authority will not deem our past and future acquisitions or investments, including the ones referenced herein or elsewhere in this document, to have met the filing criteria under the PRC Anti-Monopoly Law and therefore demand a filing for merger review. Before the SAMR issued the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) on February 7, 2021 that clarifies at the first time the filing procedures is applicable to the concentrations involving variable interest structure, there had been limited cases of the anti-monopoly law enforcement authority's anti-monopoly review of filings involving companies with a "variable interest entity" structure, or VIE structure, similar to ours. We believe, after consultation with our PRC Legal Advisor, it is unlikely that our Company is subject to sanctions for failure to conduct review of filing under the PRC Anti-Monopoly Law for our acquisition of shares of Qunar in 2015. However, we cannot make any assurance, as this is essentially subject to the discretion of the relevant governmental authority. If we are deemed to have violated the PRC Anti-Monopoly Law for failing to file the notification of concentration and request for review, we could be subject to a fine of up to RMB500,000, and the parts of the transaction causing the prohibited concentration could be ordered to be unwound. Such unwinding could affect our business and financial results, and harm our reputation. Further, although we believe, after consultation with our PRC Legal Advisor, it is unlikely that our current business cooperation arrangements with Qunar would be deemed as violation to the PRC Anti-Monopoly Law in any material aspects, which will be subject to the discretion of the relevant governmental authority. If any of our business cooperation arrangements with Qunar are determined to have violated the PRC Anti-Monopoly Law, we could be subject to sanctions including an order to cease the relevant activities, confiscation of illegal gains and fines of 1% to 10% of our sales revenue from the previous year.

In addition, we establish strategic alliances with various third parties to further our business purpose from time to time. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counter-party, an increase in expenses incurred in establishing new strategic alliances, inefficiencies caused by failure to integrate strategic partners' businesses with our own, and unforeseen levels of diversion of our resources and management attention, any of which may materially and adversely affect our business.

As a result of any of the above factors, any actual or perceived failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results and cause the trading price of our Shares and ADSs to decline.

***We have incurred net current liabilities and net operating cash outflow in the past, and may not be able to achieve or maintain net assets or net operating cash inflow in the future.***

We had net current liabilities of RMB1.2 billion as of December 31, 2019, as compared to net current assets of RMB10.6 billion as of December 31, 2018, primarily due to a decrease of RMB13.7 billion in our short-term investments, as we strategically invested a portion of the cash previously invested in a short-term financial product to a long-term product in 2019 to achieve an optimized rate of investment return. We had net current liabilities of RMB358 million as of December 31, 2020, as compared to net current liabilities of RMB1.2 billion as of December 31, 2019, which was primarily due to a decrease in accounts payable of RMB7.8 billion and accounts receivable of RMB3.5 billion, which was as a result of the impact of the COVID-19 pandemic, partially offset by an increase in short-term debt and current portion of long-term debt of RMB3.1 billion, mainly due to the loan facility we obtained in 2020. There can be no assurance that we will not experience liquidity problems in the future. We may not be able to fulfill our obligation in providing travel products or services to our users

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in respect of advances from customers, the failure of which may negatively affect our cash flow position. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

We had net cash used in operating activities of RMB3.8 billion in 2020. While we believe that we have sufficient working capital to fund our current operations, we cannot guarantee that we will not experience cash outflow from our operating activities again in the future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition and results of operations.

***We recorded a significant amount of goodwill and indefinite lived intangible assets in connection with our strategic acquisitions and investments, and we may incur material impairment charges to our goodwill and indefinite lived intangible assets if the recoverability of these assets become substantially reduced.***

In connection with our strategic acquisitions over the recent years, we recorded a significant amount of goodwill and indefinite lived intangible assets booked in our financial statements. As of December 31, 2020, our goodwill was RMB59.4 billion. ASC 350 “Intangibles—Goodwill and Other” provides that intangible assets that have indefinite useful lives and goodwill will not be amortized but rather will be tested at least annually for impairment. ASC 350 also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its undiscounted future cash flow. We operate our business with a single reporting unit. We performed qualitative assessment by comparing market capitalization with the carrying value of our reporting unit to determine whether it is necessary to perform the quantitative impairment test. For 2018, 2019, and 2020, we did not recognize any impairment charges for goodwill or indefinite lived intangible assets, because there was no indicator of impairment identified in our qualitative assessments. If different judgments or estimates had been utilized, however, material differences could have resulted in the amount and timing of the impairment charge. We may potentially incur significant impairment charges if the recoverability of these assets become substantially reduced in the future. Any such impairment charges would adversely affect our financial condition and results of operations. In addition, in the case that the trading prices of our Shares and ADSs decline as a result of the potentially prolonged impacts from the COVID-19 pandemic or other factors, and the amount by which the share price exceeded the carrying value of the reporting unit becomes minimal, it may be considered an indicator for us to perform interim goodwill impairment test and we may need to recognize impairment on goodwill or other long lived assets. See “Financial Information—Critical Accounting Policies and Estimates—Goodwill, Intangible Assets, and Long-Lived Assets.”

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

We compete primarily with other travel agencies, including domestic and foreign consolidators of hotel accommodation and airline tickets as well as traditional travel agencies. In the future, we may also face increasing competition from new domestic travel agencies or international players that seek to expand in China, hotels and airlines, as well as content platforms and social networks entering into the travel industry.

We may face more competition from hotels and airlines as they enter the discount rate market directly or through alliances with other travel consolidators. In addition, international travelers have become an increasingly important user base. Competitors that have formed stronger strategic alliances

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with overseas travel consolidators may have more effective channels to address the needs of travelers in China to travel overseas. Furthermore, we do not have exclusive arrangements with our ecosystem partners. The combination of these factors means that potential entrants to our industry face relatively low entry barriers.

In the past, certain competitors launched aggressive advertising campaigns, special promotions and engaged in other marketing activities to promote their brands, acquire new users or to increase their market shares. In response to such competitive pressure, we started to take and may continue to take similar measures and as a result will incur significant expenses, which in turn could negatively affect our operating margins in the quarters or years when such promotional activities are carried out. For example, we launched a promotion program in recent years to offer certain selected transportation tickets, hotel rooms, packaged tours, and in-destination activities as well as grant of e-coupons to our users in response to promotion campaigns that our competitors have launched. Primarily as a result of the enhanced marketing efforts and additional investment in product developments in response to the intensified market competition, our operational margin was negatively affected. In addition, some of our existing and potential competitors may have competitive advantages, such as significantly larger active user base on mobile or other online platforms, greater financial, marketing and strategic relationships, alliances or other resources or name recognition, and technology capabilities, and may be able to imitate and adopt our business model. In particular, other major internet platforms may benefit from the existing user base of their other services. These platforms can utilize the traffic they already obtain and direct the users from their other services offerings to their travel services and further achieve synergies effects. Furthermore, in order to attract and retain users and compete against our competitors, we have deployed significant resources in research and development to enhance our AI, big data analytics, and cloud technologies. However, we cannot assure you that the effectiveness of our data analytics capabilities and technologies will be comparable or superior to our competitors continuously. If any of our competitors provides comparable or better content feed to the users on their platforms, or if we are unable to provide sufficient quality content to our users' satisfaction leveraging our data analytics capabilities, we may suffer a decline in our user traffic. We cannot assure you that we will be able to successfully compete against new or existing competitors. In the event we are not able to compete successfully, our business, results of operations, and profit margins may be materially and adversely affected.

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

We believe that maintaining and enhancing our brands depends in part on our ability to grow our user base and obtain new business partners. Some of our potential competitors already have well-established brands in the travel industry. The successful promotion of our brands will depend largely on our ability to maintain a sizeable and active user base, maintain relationships with our business partners, provide high-quality user support, properly address user needs and handle user complaints and organize effective marketing and advertising programs. We are also subject to reputational risks arising from user complaints. Users may raise complaints against us if they are dissatisfied with the travel products and services provided to them. If we do not resolve the complaints effectively in a timely manner, our users may reduce their use of our platform and services, and may demand refund or even further compensation from us by all practicable means, which could harm our reputation and brand image if these complaints are brought to public sight, and materially and adversely affect our business, financial condition, and results of operations. If our user base significantly declines or grows more slowly than our key competitors, the quality of our user support substantially deteriorates, or our business partners cease to do business with us, we may not be able to cost-effectively maintain and promote our brands, and our business may be harmed.

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***Negative publicity related to us or in general with respect to the travel industry could impair our reputation, which in turn could materially and adversely affect our business, results of operations, and price of our Shares and ADSs.***

The reputation of our brands is critical to our business and competitiveness. Negative publicity with respect to us or the travel industry in general, from time to time, whether or not we are at fault, including but not limited to those relating to our business, products and services, user experiences, employee relationships and welfare, compliance with law, financial conditions or prospects, whether with or without merit, could impair our reputation and adversely affect our business and operating results. Prospective users may be reluctant to engage in transactions with us if there is any negative publicity in connection with the use of our services or products, the operation of our business and other aspects about us. In addition, the negative publicity of any of our brands may extend far beyond the brand involved, especially due to our comprehensive presences in the travel industry in general, to affect some or all of our other brands. Furthermore, negative publicity about other market players or isolated incidents, regardless of whether or not it is factually correct or whether we have engaged in any inappropriate activities, may result in negative perception of our industry as a whole and undermine the credibility we have established. Negative developments in the market may lead to tightened regulatory scrutiny and limit the scope of our permissible business activities. We could lose significant number of users due to negative publicity with respect to us or the travel industry in general.

We rely on performance and brand marketing channels to generate a significant amount of traffic to our platforms and grow our business. From time to time, we hire brand ambassadors to market our brands or our products and services that are important to our business. However, we cannot assure you that the endorsement from our brand ambassadors or related advertisements will remain effective, that the brand ambassadors will remain popular or their images will remain positive and compatible with the messages that our brand and products aim to convey. Furthermore, we cannot assure you that we can successfully find suitable celebrities to replace any of our existing brand ambassadors if any of their popularities decline or if the existing brand ambassadors are no longer able or suitable to continue the engagement, and termination of such engagements may have a significant impact on our brand images and the promotion or sales of our products.

If any of the foregoing were to occur, our business, financial condition, results of operations, and price of our Shares and ADSs could be materially and adversely affected. We may incur additional costs to recover from the impact caused by the negative publicity, which may divert management's attention and other resources from our business and operations.

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

Our business experiences fluctuations, reflecting seasonal variations in demand for travel services. Consequently, our results of operations may fluctuate from quarter to quarter. For example, the third quarter of each year generally contributes the highest portion of our annual net revenues primarily due to the strong demand for both leisure and business travel activities during the summer.

***Any failure to maintain satisfactory performance of our mobile platform, websites, and systems, particularly those leading to disruptions in our services, could materially and adversely affect our business and reputation, and our business may be harmed if our infrastructure or technology is damaged or otherwise fails or becomes obsolete.***

The satisfactory performance, reliability, and availability of our infrastructure, including our mobile platform, websites, and systems, are critical to the success of our business. Any system interruptions that result in the unavailability or slowdown of our mobile platform, websites, or other systems and the disruption in our services could reduce the volume of our business and make us less



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attractive to users. Our customer service centers are equipped with extensive computer and communications systems. Our technology platform and computer and communication systems are vulnerable to damage or interruption from human error, computer viruses, fire, flood, power loss, telecommunications failure, physical or electronic break-ins, hacking or other attempts at system sabotage, vandalism, natural disasters, and other similar events. For example, we experienced a network shut-down for a few hours in May 2015 resulting in temporary disruption to our mobile platform and websites and user support, and a hotel booking system failure for a few hours in October 2019 affecting temporary hotel booking services. No data leakage occurred in either incident. We have implemented extensive measures to ensure prompt responses to any network shutdown, system failure, or similar incidents in the future, and to continue to update our security protocol to protect our systems from any human error, third-party intrusions, viruses or hacker attacks, information or data theft, or other similar activities. However, we cannot assure you that unexpected interruptions to our systems will not occur again in the future. We do not carry business interruption insurance to compensate us for losses that may occur as a result of such disruptions. In addition, any such future occurrences could reduce user satisfaction levels, damage our reputation and materially and adversely affect our business.

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

In addition, our future success will depend on our ability to adapt our products and services to the changes in technologies and internet user behavior. For example, the number of people accessing the internet through mobile devices, including smart devices, mobile phones, tablets and other hand-held devices, has increased in recent years, and we expect this trend to continue while 5G and more advanced mobile communications technologies are broadly implemented. As we make our services available across a variety of mobile operating systems and devices, we are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android, iOS, and Windows. We ensure the interoperability of our services by optimizing our mobile apps and websites for different devices and operating systems and implementing cloud technology to support unified backend operation of our platform. Any changes in such mobile operating systems or devices that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. Further, if the number of platforms for which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market such as China, it will result in an increase in our costs and expenses. In order to deliver high-quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices, and standards that we do not control. If we fail to develop products and technologies that are compatible with all mobile devices and operating systems, or if the products and services we develop are not widely accepted and used by users of various mobile devices and operating systems, we may not be able to penetrate the mobile internet market. In addition, the widespread adoption of new internet technologies or other technological changes could require significant expenditures to modify or integrate our products or services. If we fail to keep up with these changes to remain competitive, our future success may be adversely affected.

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## RISK FACTORS

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

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

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

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

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

***Our business is subject to the risks of international operations, including but not limited to, operational risk, compliance risk, and reputational risk.***

We had overseas expansion of our business over the years and operate our business in many foreign jurisdictions such as European and southeast Asian countries. As we plan to expand our global presence over the long-term through means of partnerships and investments, we are exposed to a variety of risks in our business operations, including but not limited to, operational risk, compliance risk, and reputational risk. Compliance with foreign laws and regulations that apply to our international operations increases our cost of doing business in foreign jurisdictions. These laws and regulations include data privacy requirements, labor relations laws, tax laws, foreign currency-related regulations, anti-competition regulations, prohibitions on payments to governmental officials, market access, import, export and general trade regulations, including but not limited to economic sanctions and embargos. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business, including the loss of trade privileges. Any such violations could result in prohibitions on our ability to offer our products and services in one or more countries, could delay or prevent potential acquisitions and could also materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Compliance with these laws requires a significant amount of management attention and effort, which may divert management's attention from running our business operations and could harm our ability to grow our business, or may increase our expenses as we engage specialized or other additional resources to assist us with our compliance efforts. Our success depends, in part, on our ability to anticipate these risks and



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manage these difficulties. We monitor our operations and investigate allegations of improprieties relating to transactions and the way in which such transactions are recorded. Where circumstances warrant, we provide information and report our findings to government authorities, but no assurance can be given that action will not be taken by such authorities. In addition, as our business and operation expand in international markets, we could be exposed to increased foreign exchange risks for other currencies.

***The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition, and results of operations.***

Recently there have been heightened tensions in international economic relations, such as the one between the United States and China. The U.S. government has recently imposed, and may continue to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on January 15, 2020, the United States and China entered into the Economic and Trade Agreement Between the United States of America and the People's Republic of China as a phase one trade deal, effective on February 14, 2020.

In addition, political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 pandemic, the passage of Safeguarding National Security in the Hong Kong Special Administrative Region by the Standing Committee of the PRC National People's Congress, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government and the executive orders issued by the U.S. government that prohibit certain transactions with certain selected Chinese technology companies, and the Executive Order 13959 issued in November 2020 targeting transactions by U.S. persons in certain securities of designated "Communist Chinese military companies." As we work with a wide range of business partners in China and elsewhere in the world, should any of our major business partners become subject to sanctions or restrictions by the U.S. government, our business may be adversely affected. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies, which would materially and adversely affect the global economic conditions and the stability of global financial markets. Such tensions between the United States and China, and any escalation thereof, may have a negative impact on the general, economic, political, and social conditions in China and, in turn, adversely impacting our business, financial condition, and results of operations.

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

We regard our domain names, trade names, trademarks, patents, proprietary know-how, and similar intellectual properties as critical to our success. We try to protect our intellectual property rights by relying on intellectual property protection laws, confidentiality laws, and confidentiality contracts. However, the provisions of such laws and contracts may not provide us with sufficient protection, and legal proceedings to protect our intellectual properties from infringement could be difficult, time-consuming, and expensive in China. In addition, as our business operations further evolves globally, we may not be able to enforce our intellectual property rights throughout the world, which may in turn adversely impact our international operations and business. We may encounter significant problems in protecting and enforcing intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries do not favor the enforcement of intellectual property protection, which could make

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it difficult for us to stop the infringement or misappropriation of our intellectual property rights. Proceedings to enforce our proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business.

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

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

We rely on third-party computer systems to host our websites, as well as third-party licenses for some of the software underlying our technology platform. In addition, we rely on third-party transportation ticketing agencies to issue transportation tickets and travel insurance products, confirmations and deliveries in some cities in Greater China. We also rely on third-party local operators to deliver on-site services to our packaged-tour and in-destination activity users and other services, such as car services.

Any interruption in our ability to obtain the products or services of these or other third parties or deterioration in their performance, such as server errors or interruptions, or dishonest business conduct, could impair the timing and quality of our own service. If our service providers fail to provide high-quality services in a timely manner to our users, or provide services that are substantially different from its description or without licenses or permits as required by the relevant laws and regulations despite that we have so requested, violate any applicable rules and regulations, or involve in incidents of negative publicity, our services will not meet the expectations of our users, our users may claim against us for damages and stop using our online platforms, and our reputation and brand will be damaged. Furthermore, if our arrangement with any of these third parties is terminated, we may not find an alternative source of support on a timely basis or on favorable terms to us.

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

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct may include complaints, anonymous or otherwise, to regulatory agencies regarding our operations, accounting, revenues, business relationships, business prospects, and business ethics. Additionally, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or any websites by anyone, whether or not related to us, on an anonymous basis. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to address such third-party conduct, and we cannot assure you that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Our reputation may also be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, ecosystem partners, users, and revenues and adversely affect the price of our Shares and ADSs.

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***We are subject to payment processing risk.***

We accept a variety of different online payment methods and rely on third parties to process such payment. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as delays in receiving payments from payment processors or changes to rules or regulations concerning payment processing, our revenues, operating expenses, and results of operation could be adversely impacted.

We also do not have control over the security measures of our third-party payment service providers, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential user information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet security breach were to occur, users concerned about the security of their online payments may become reluctant to purchase our products and services through payment service providers even if the publicized breach did not involve payment systems or methods used by us. We may also be subject to fraud and other illegal activities in connection with the various payment methods that we offer, including online payment options. We may also be subject to various rules, regulations, and requirements, regulatory or otherwise, governing electronic fund transfers and online payment, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees, and lose our ability to accept credit and debit card payments from our users, process electronic fund transfers, or facilitate other types of online payments. If any of the above were to occur and damage our reputation or the perceived security of the payment systems that we use, we may lose users as they may be discouraged from purchasing products or services on our platform, which may adversely affect our business and results of operations.

***If our hotel partners or users provide us with untrue information regarding the users' stay or misrepresentations, we may not be able to recognize and collect revenues to which we are entitled.***

We generate substantially all of our accommodation reservation revenue through commissions from hotel reservation partners through our platform. To confirm whether a user adheres to the booked itinerary, we routinely make inquiries with the hotel and, occasionally, with the user. We rely on the hotel partner and the user to provide us truthful information regarding the user's check-in and check-out dates, which forms the basis for calculating the commission we are entitled to receive from the hotel partner. If our hotel partners or users provide us with untrue information with respect to our users' length of stay at the hotels, we would not be able to collect revenues to which we are entitled. In addition, using such untrue information may lead to inaccurate business projections and plans, which may adversely affect our business planning and strategy.

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

During the peak holiday seasons in China, we establish limited merchant business relationships with selected ecosystem partners, in order to secure adequate supplies for our users. In merchant business relationships, we buy hotel rooms and transportation tickets before selling them to our users and thereby incur inventory risk. As we expanded our offline business in 2019, partially attributable to our packaged-tour products, our demands also increased correspondingly. If we are unable to correctly predict demand for hotel rooms and transportation tickets that we are committed to purchase, we would be responsible for covering the cost of the hotel rooms and transportation tickets we are unable to sell, and our financial condition and results of operations would be adversely affected.

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## RISK FACTORS

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

Under the PRC Enterprise Income Tax Law, as amended, or the EIT Law, and the relevant implementation rules, foreign-invested enterprises, or FIEs, and domestic enterprises are subject to EIT at a uniform rate of 25%. Certain enterprises will benefit from a preferential tax rate of 15% under the EIT Law if they qualify as “high and new technology enterprises,” or HNTEs, or if they are located in applicable PRC regions, subject to certain general restrictions described in the EIT Law and the related regulations.

In December 2008 and 2009, some of our PRC subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Qunar Software, and one of our consolidated affiliated Chinese entities, Qunar Beijing, were each recognized by relevant local authorities as a HNTE under the EIT Law with an effective period of three years. Therefore, these entities were entitled to enjoy a preferential tax rate of 15%, as long as they maintained their qualifications for HNTEs that are subject to verification by competent authorities and renewals every three years. The qualifications of Ctrip Computer Technology, Ctrip Travel Information, and Ctrip Travel Network as HNTEs have been renewed and will expire by the end of 2022. Qunar Software and Qunar Beijing are applying for the renewal of their HNTEs qualifications. The HNTE qualification is subject to a periodic review every three years by the relevant PRC government authorities. Preferential tax treatment granted to our subsidiaries by the local governmental authorities is subject to this periodic review and may be adjusted or revoked at any time. We cannot assure you that our subsidiaries and the consolidated affiliated Chinese entity will continue to qualify as HNTEs when they are subject to reevaluation in the future. In 2001, the STA, the PRC Ministry of Finance, and the General Administration of Customs jointly issued the Circular on Issues Concerning Preferential Tax Policies for the Western Development (《關於西部大開發稅收優惠政策問題的通知》), or the Circular 202, and started to implement preferential tax policy in China’s western region. According to the Circular 202, from 2001 to 2010, the companies located in applicable jurisdictions covered by this circular are eligible to apply for a preferential income tax rate of 15% if their businesses fall within the “encouraged” category of the Catalog of Industries, Products and Technologies Currently Encouraged to Develop by the State (《當前國家重點鼓勵發展的產業、產品和技術目錄》) or the Catalog for Guidance of Industries for Foreign Investment (《外商投資產業指導目錄》) and the revenue derived from such “encouraged” businesses accounts for no less than 70% of the total revenue. In 2011, the STA, the Ministry of Finance, and the General Administration of Customs jointly issued the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (《關於深入實施西部大開發戰略有關稅收政策問題的通知》), or the Circular 58, according to which the Catalog of Encouraged Industries in Western Regions (《西部地區鼓勵類產業目錄》), or the Western Regions Catalog, would be applied instead of the two catalogs stipulated in the Circular 202 from 2011 to 2020. According to the Western Regions Catalog issued by the PRC National Development and Reform Commission, or the NDRC, later in 2014, the “encouraged” industries include the industries provided in the Guiding Catalog of Industrial Structure Adjustment (《產業結構調整指導目錄》), the Catalog for Guidance of Industries for Foreign Investment (《外商投資產業指導目錄》), the Catalog of Advantageous Industries for Foreign Investment in the Central and Western Regions (《中西部地區外商投資優勢產業目錄》), and other encouraged catalogs specifically applied in western regions. On April 23, 2020, the Ministry of Finance, the STA, and the NDRC jointly issued the Announcement on Renewing the Enterprise Income Tax Policy for Western Development (《關於延續西部大開發企業所得稅政策的公告》), which reduced the revenue percentage requirement of the “encouraged” businesses to no less than 60% and would be applied from 2021 to 2030. Benefiting from this policy, Chengdu Ctrip, Chengdu Ctrip International, and Chengdu Ctrip Information Technology Co., Ltd., or Chengdu Information, obtained approval from local authorities in 2012 and 2013, which recognized that the main businesses of such three companies belong to the “encouraged” catalog of the Guiding Catalog of Industrial Structure Adjustment (《產業結構調整指導目錄》). Therefore, such entities were entitled to

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enjoy a preferential tax rate of 15% until 2030, as long as their “encouraged” businesses accounts for no less than required percentage pursuant to current policies. In the event that the preferential tax treatment for these entities is discontinued, these entities will become subject to the standard tax rate at 25%, which would materially increase our tax obligations.

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

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

***We could be liable for breaches of internet security or fraudulent transactions by users of our online platforms and our websites.***

Internet industry is facing significant challenges regarding information security and privacy, including the storage, transmission and sharing of confidential information. In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. In November 2016, the PRC Standing Committee of the National People’s Congress promulgated the PRC Cyber Security Law (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. The PRC Cyber Security Law requires that a network operator, which includes, among others, internet information services providers, to take technical measures and other necessary measures in accordance with applicable laws and regulations and the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of its networks, imposing a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The law further requires internet information service providers to formulate contingency plans for network security incidents, report to the competent departments immediately upon the occurrence of any incident endangering cyber security, and take corresponding remedial measures. Any violation of the PRC Cyber Security Law may subject us to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of websites, or criminal liabilities. See “Regulations—Regulations Related to Internet Information Security and Privacy Protection.”

We conduct a significant portion of our transactions through the internet, including our online platforms and websites. In such transactions, secured transmission of confidential information (such as users’ itineraries, hotel and other reservation information, credit card information, personal



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information, and billing addresses) over public networks and ensuring the confidentiality, integrity, availability, and authenticity of the information of our users, hotel partners, and airline partners are essential to maintaining their confidence in our online products and services. Our current security measures may not be adequate and may contain deficiencies that we fail to identify, and advances in technology, increased levels of expertise of hackers, new discoveries in the field of cryptography or others could increase our vulnerability. For example, a third-party website that focuses on internet security information exchange released news in March 2014 that as a result of a temporary testing function performed by us, certain data files containing users' credit card information had been stored on local servers maintained by us, which may lead to potential exposure of these users' information to hackers. We removed the cause of the potential security concern within two hours of the release of the news report and then examined all other possible leaks and found that 93 users' credit card information might have been downloaded by the above-mentioned website for the purpose of confirming potential risks. Our business, results of operations, user experience, and reputation may be materially and adversely affected if similar incidents related to internet security recur in the future. In August 2011, the PRC Supreme People's Court and the PRC Supreme People's Procuratorate issued judicial interpretations regarding hacking and other internet crimes. However, its effect on curbing hacking and other illegal online activities still remains to be seen.

We strive to comply with applicable data protection laws and regulations, as well as our privacy policies pursuant to our terms of use and other obligations that we may have with respect to privacy and data protection. Significant capital, managerial, and human resources are required to enhance information security and to address any issues caused by security failures. If we are unable to protect our systems and the information stored in our systems from unauthorized access, use, disclosure, disruption, modification, or destruction, such problems or security breaches may cause loss, expose us to litigation and possible liability to the owners of confidential information, disrupt our operations and may harm our reputation, and ability to attract users.

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

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

In particular, the Civil Aviation Administration of China and the NDRC regulate pricing of air tickets. The Civil Aviation Administration also supervises commissions payable to air-ticketing agencies together with the China Air Transport Association. If restrictive policies are adopted by the Civil Aviation Administration, NDRC, or the China Air Transport Association, or any of their regional branches, our air-ticketing revenue may be adversely affected.

In addition, the PRC government may promulgate new laws and regulations, interpretation of existing laws and regulations, as well as regulatory guidance and policies. We may not be able to always keep abreast of these developments, and we could be subject to regulatory or administrative penalties and operational disruption if we are unable to comply with these laws, regulations, and policies in a timely fashion, or at all. For example, the Standing Committee of the National People's

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Congress promulgated the PRC E-Commerce Law (《中華人民共和國電子商務法》) on August 31, 2018, which took effect on January 1, 2019. Pursuant to the PRC E-Commerce Law, an e-commerce platform operator must take joint liabilities with the relevant merchants operating on its platform and may be subject to warnings and fines where it fails to take necessary measures when (i) it knows or should have known that the products or services provided by the merchants operating on its platform do not meet the personal or property safety requirements or such merchants' other acts may infringe on the lawful rights and interests of the consumers; or (ii) it has been informed that the merchants operating on its platform infringe any intellectual property rights of any other third party but has not taken measures in time. In addition, with respect to products or services affecting the consumers' life and health, if an e-commerce platform operator fails to examine and verify the merchants' qualification, or it fails to assure the consumers' security, which results in damages to consumers, it must take corresponding liabilities and may be subject to warnings and fines. Furthermore, pursuant to a Tentative Administrative Measure on Online Travel Operation (《在線旅遊經營服務管理暫行規定》) promulgated on August 20, 2020 by the PRC Ministry of Culture and Tourism and took effect on October 1, 2020, the operator of online travel business, like us, must provide real and accurate travel services information without false promotion and advertisement. The operator of online travel platform must verify the identification, license, quality standard, credit rating, and other information of all travel business operator registered on the platform. The online travel business operator must protect the personal data privacy of travelers and cannot set unfair trading conditions based on consumption record and preference by abusing data analyzing technology. The platform operator must also alert the travelers for safety warning, and must take the liability if it fails to perform relevant obligations requested by such administrative measures.

Furthermore, we provide online consumer finance services incidental to our core businesses. Due to the relatively short history of China's online consumer finance industry, the PRC government is still in the process of establishing a comprehensive regulatory framework governing this industry. The relevant rules and regulations governing this industry are general in nature and yet to be further interpreted or supplemented. As a result, we cannot assure you that we will be able to obtain all licenses and permits necessary for providing our online consumer finance services. In addition, we may have to make significant changes to our operations from time to time in order to comply with changing laws, regulations, and policies governing the online and travel industries in general and many aspects of our business in particular, which may increase our cost of operation or limit our options of service offering, which in turn may adversely affect our results of operations.

***Our failure to comply with privacy and data protection laws and regulations in various jurisdictions could subject us to sanctions, damages, and litigation, and could harm our reputation and business.***

We collect and process certain personal data of our users, including email addresses, usage data, identification information, user passwords, and additional information. We also collect and process user billing information, such as credit card numbers, full names, billing addresses, and phone numbers of our users.

We are subject to the privacy and data protection laws and regulations in various jurisdictions, such as China and European Union. Privacy laws provide restrictions and guidance in connection with our storage, use, processing, disclosure, transfer, and protection of personal information. We strive to comply with all applicable laws, regulations, policies relating to privacy and data protection. We are also subject to privacy and data security-related obligations deriving from our privacy policy and terms of use with our users, and we may be liable to third parties in the event we are deemed to have wrongfully processed, used, stored, disclosed, or otherwise disposed of personal data.

Data security and protection has become one of the policy focuses of PRC regulators. In December 2012, the Standing Committee of the National People's Congress promulgated the Decision



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to Enhance the Protection of Network Information (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》), or the Information Protection Decision, to enhance the protection of users' personal information in electronic form, which provides that internet information service providers must expressly inform their users of the purpose, manner, and scope of the collection and use of users' personal information by internet information service providers, publish the internet information service providers' standards for their collection and use of users' personal information, and collect and use users' personal information only with the consent of the users and only within the scope of such consent. The Information Protection Decision also mandates that internet information service providers and their employees keep users' personal information that they collect strictly confidential, and that they must take such technical and other measures as are necessary to safeguard the information against disclosure, damages, and loss. Pursuant to the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued in July 2013 by the PRC Ministry of Industry and Information Technology, or the MIIT, any collection and use of users' personal information must be subject to the consent of the users, abide by the principles of legality, rationality, and necessity and the internet information service providers must expressly inform the users of the purpose, manner, and scope of the collection, and use of users' personal information.

We are subject to such requirements as we are operating website and mobile applications and providing certain internet services mainly through our mobile applications. For example, the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》) issued in January 2019 restates the requirement of legal collection and usage of personal information, and encourages the app operators to conduct security certifications. On November 28, 2019, the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》) was promulgated, and listed six types of illegal collection and usage of personal information, including “not publishing rules on the collection and usage of personal information.” Since October 21, 2020, the Legislative Affairs Committee of the National People's Congress has publicly solicited opinions on the PRC Personal Information Protection Law (Draft) (《中華人民共和國個人信息保護法(草案)》), which sets forth detailed rules on handling personal information and legal responsibilities. As of the Latest Practicable Date, the draft has not been formally adopted.

European Union traditionally takes a broader view as to what is considered personal information and has imposed greater obligations under their privacy and data protection laws. In particular, the European Union adopted a new General Data Protection Regulation in April 2016, which became effective in May 2018. The General Data Protection Regulation results in more stringent requirements for data processors and controllers, including more fulsome disclosures about the processing of personal information, data retention limits, and deletion requirements, mandatory notification in the case of a data breach, and elevated standards regarding valid consent in some specific cases of data processing. The General Data Protection Regulation also includes substantially higher penalties for failure to comply with the requirements. For example, in the event of violations, a fine up to €20 million or up to 4% of the annual worldwide turnover, whichever is greater, may be imposed. In addition to General Data Protection Regulation, when other future laws and regulations relating to data privacy in China or other jurisdictions come into effect, the more stringent requirements on privacy user notifications and data handling will require us to adapt our business and incur additional costs.

Privacy concerns are becoming more widely acknowledged and may cause our users to resist providing the personal data necessary to allow them to use our platform effectively. We have implemented multiple measures and security protocols to maintain and improve our privacy protection capability. However, measures we have implemented may not alleviate all potential privacy concerns and threats. In addition, a failure by us or a third-party contractor providing services to us to comply

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with applicable privacy and data security laws, regulations, obligations, or our terms of use with our users, may result in sanctions, statutory or contractual damages or litigation. These violations or proceedings may, among other things, force us to spend money in defense or settlement, result in the imposition of monetary liability or restrict access to our services from certain territory, which could adversely affect our reputation and business.

***We have incurred substantial indebtedness and may incur additional indebtedness in the future. We may not be able to generate sufficient cash to satisfy our outstanding and future debt obligations.***

We have incurred substantial indebtedness to execute our business operations and strategies. To the extent that we were to settle or redeem our convertible notes in cash, our debt obligations would become more substantial.

Our substantial indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes; and
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to conduct additional financing activities, or increase the cost of additional financing.

We may from time to time incur additional indebtedness and contingent liabilities. If we incur additional debt, the risks that we face as a result of our substantial indebtedness and leverage could intensify. For example, since 2018, we entered into asset backed securitization arrangements with third-party financial institution and set up a securitization vehicle, which issued revolving debt securities to third-party investors. In 2019 and 2020, we also obtained loan facilities from certain financial institutions. In July 2020, we issued US\$500 million in aggregate principal amount of 1.50% exchangeable senior notes due 2027.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. As a result, we may not generate or obtain sufficient cash flow to meet our anticipated operating expenses and to service our debt obligation as they become due.

***We may face greater risk of doubtful accounts as our business increases in scale.***

We provide credit terms to certain ecosystem partners, and also extend credit to our users by making payments on behalf of them when they book travel products on our platform. Our accounts receivable and other receivables have increased as our business grows. We cannot assure you that we will be able to collect payment fully and in a timely manner on our outstanding receivables from our ecosystem partners and users. As a result, we may face a greater risk of non-payment of our receivables and, as our business grows in scale, we may need to make higher allowance for credit losses. We recognized allowance for credit losses of RMB191 million for the year ended December 31, 2019, compared to RMB69 million for the year ended December 31, 2018, primarily due to (i) the increase in our accounts receivable and other receivable, based on which we recognize our allowance for credit losses, as a result of our business growth, and (ii) the adoption of the more conservative method to recognize allowance for credit losses for our flight tickets, corporate travel, and other travel-related services as of a result of our periodic review to reflect our business development. For the year

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ended December 31, 2020, we recognized allowance for credit losses of RMB700 million, primarily for our ecosystem partners, such as airlines, hotels, and packaged-tour providers in China and globally. Our allowance for credit losses increased in the first quarter of 2020 due to the significant negative impacts on our business operation and our ecosystem partners as a result of the COVID-19 pandemic. We experienced an increase in refunds from reservation cancellations, which we paid on behalf of our ecosystem partners. Correspondingly, we recognized more allowance for credit losses for receivable of such refunds to reflect the deterioration of credit risk profile of certain travel ecosystem partners. In each of the third and fourth quarter of 2020, we recorded a reversal of allowance for credit losses for our travel ecosystem partners reflecting the improvement in credit risk profile with domestic travel industry recovery. In particular, we recorded reversal of allowance for credit losses for our ecosystem partners, including major airlines in China as they gradually recovered from the COVID-19 pandemic. Our operating results and financial condition may be materially and adversely affected if we are unable to successfully manage our receivables.

***Our accounting treatment for share-based compensation could continue to significantly reduce our net income.***

We have accounted for share-based compensation in accordance with ASC 718 “Compensation—Stock Compensation,” or ASC 718, which requires a public company to recognize, as an expense, the fair value of share options and other share-based compensation to employees based on the requisite service period of the share-based awards. We have granted share-based compensation awards, including share options and restricted share units, to employees, officers and directors to incentivize performance and align their interests with ours. See “Directors and Senior Management—Compensation—Employees’ Share Incentive Plans.” As a result of the grants and potential future grants under our share incentive plans, we had incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based awards.

Our board of directors has the discretion to change terms of any previously issued share options and any such change may significantly increase the amount of our share-based compensation expenses for the period that the change takes effect as well as those for any future periods. For example, in December 2019, we completed a one-time modification of share options, pursuant to which each eligible grantee could exchange every four of the share options that were granted under the 2007 Share Incentive Plan and the Amended and Restated Global Incentive Plan with exercise price exceeding US\$40 (after the Share Subdivision) per ordinary share for one new option entitling each eligible grantee to purchase one ordinary share at the exercise price of US\$0.00125 (after the Share Subdivision) with the original vesting schedules remaining unchanged. As a result of the modification, the prior options to purchase 6,686,792 (after the Share Subdivision) ordinary shares were exchanged for new options to purchase 1,672,208 (after the Share Subdivision) ordinary shares. In addition, with the historic changes and extensions to our share incentive awards, the application of ASC 718 will continue to have a significant impact on our net income. Further, future changes to various assumptions used to determine the fair value of awards issued or the amount and type of equity awards granted may also create uncertainty as to the amount of future share-based compensation expense.

***The determination of the fair value changes of certain financial assets requires significant management judgement and estimation based on unobservable inputs, which may lead to valuation uncertainty and a change in the fair value of our long-term investments.***

As of December 31, 2020, the Company had investments of RMB2,856 million classified under Level 3 in the fair value hierarchy, or the Level 3 Investments. The fair values of the Level 3 Investments were determined by us based on an income approach utilizing various unobservable inputs

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which required significant judgment, determined by us, with respect to the assumptions and estimates for the revenue growth rate, weighted average cost of capital, lack of marketability discounts, expected volatility, and probability in equity allocation. Accordingly, such determination requires us to make estimates and assumptions, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control, such as general economic condition, changes in market interest rates, and stability of the capital markets, can significantly influence and cause adverse changes to the estimates we used and thereby affect the fair value of the level 3 Investments. Should any of the estimates and assumptions changed, there may be a change in the fair value of our financial assets, which would materially and adversely affect our results of operation and financial condition.

For further details, see Note 8 to the Accountant's Report in Appendix I to this prospectus, and "Financial Information—Critical Accounting Policies and Estimates—Fair value of available-for-sale debt investments."

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

We are subject to the reporting obligations under the U.S. securities laws. As required under Section 404 of the Sarbanes-Oxley Act of 2002, the SEC has adopted rules requiring public companies to include a report of management on the effectiveness of such companies' internal control over financial reporting in its annual report. In addition, an independent registered public accounting firm for a public company must issue an attestation report on the effectiveness of the company's internal control over financial reporting. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of December 31, 2020. In addition, our independent registered public accounting firm attested the effectiveness of our internal control and reported that our internal control over financial reporting was effective as of December 31, 2020. If we fail to maintain the effectiveness of our internal control over financial reporting, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, effective internal control over financial reporting is necessary for us to produce reliable financial reports. As a result, any failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could negatively impact the trading price of our Shares and ADSs. Furthermore, we may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

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

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

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In addition, the terms of future debt financing could result in more restrictive covenants, which could further restrict our business operations. If we cannot raise additional funds when we need them, our ability to continue to support our business and to respond to business challenges would be significantly limited, and our business, results of operations, and financial condition would be materially and adversely affected.

***Fluctuation of fair value change of short-term investments we made may affect our results of operations.***

During the Track Record Period, we made short-term investments, representing (i) held-to-maturity investments which are due in one year and stated at amortized cost; (ii) the investments issued by commercial banks or other financial institutions with a variable interest rate indexed to the performance of underlying assets within one year; and (iii) foreign currency forward contracts which are short-term. Short-term investments are stated at fair value. Changes in the fair value are reflected in our consolidated statements of income/(loss) and comprehensive income/(loss). The methodologies that we use to assess the fair value of the short-term investments involve a significant degree of management judgment and are inherently uncertain. In addition, we are exposed to credit risks in relation to our short-term investments, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions will create fair value gains on our short-term investments or we will not incur any fair value losses on our short-term investments in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

***We have limited business insurance coverage in Greater China.***

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

### RISKS RELATING TO OUR CORPORATE STRUCTURE

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

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

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



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

According to the PRC Civil Code (《中華人民共和國民法典》) that came into effect on January 1, 2021 and replaced the PRC Property Rights Law effective as of October 1, 2007, the effectiveness of the pledges will be denied if the pledges are not registered. Under the equity pledge agreements between our subsidiaries and the shareholders of our consolidated affiliated Chinese entities, the shareholders of our consolidated affiliated Chinese entities pledged their respective equity interests in these entities to our subsidiaries. The effectiveness of the pledges upon registration will be recognized by PRC courts if disputes arise on certain pledged equity interests and that our subsidiaries' interests as pledgees will prevail over those of third parties. Our equity pledges have been duly registered with the relevant local branches of the SAMR.

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

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

As the PRC government restricts foreign ownership of value-added telecommunications and travel agency businesses in China, we depend on our consolidated affiliated Chinese entities, in which we have no ownership interest, to conduct part of our business activities through a series of contractual arrangements, which are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. Although we have been advised by our PRC Legal Advisor, that the contractual arrangements as described in this document are valid, binding, and enforceable under current PRC laws, these arrangements are not as effective in providing control as direct ownership of these businesses. For example, our consolidated affiliated Chinese entities could violate our contractual arrangements with them by, among other things, failing to pay us for our consulting or other services. In any such event, we would have to rely on the PRC legal system for the enforcement

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of those agreements, which could have uncertain results. Any legal proceeding could result in the disruption of our business, damage to our reputation, diversion of our resources and incurrence of substantial costs. See “—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

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

Some of our directors and officers were also the principal shareholders of our consolidated affiliated Chinese entities as of the date of this document. Thus, conflict of interest between their duties to our company and their interests in our consolidated affiliated Chinese entities may arise. We cannot assure you that when conflict of interest arises, these persons will act entirely in our interests or that the conflict of interest will be resolved in our favor. In addition, these persons could violate their non-competition obligations under service contracts with us or their legal duties by diverting business opportunities from us to others, resulting in our loss of corporate opportunities. In any such event, we would have to rely on the PRC legal system for the enforcement of these agreements, which could have uncertain results. Any legal proceeding could result in the disruption of our business, diversion of our resources and incurrence of substantial costs. See “—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

***Our business may be significantly affected by the new PRC Foreign Investment Law.***

The new PRC Foreign Investment Law was approved by the PRC National People’s Congress on March 15, 2019 and became effective from January 1, 2020. The new PRC Foreign Investment Law has repealed the PRC Wholly Foreign-owned Enterprise Law, the PRC Sino-foreign Equity Joint Venture Law, and the PRC Sino-foreign Cooperative Joint Venture Law. Therefore, establishment and operation of companies in China, including FIEs, will generally follow the PRC Company Law unless specifically provided for in the new PRC Foreign Investment Law, in which case the provisions of the new PRC Foreign Investment Law will prevail. In December 2019, the Implementing Regulation of the Foreign Investment Law was promulgated by the State Council and became effective from January 1, 2020.

The new PRC Foreign Investment Law does not touch upon the relevant concepts and regulatory regimes that were historically suggested for the regulation of VIE structures, and thus this regulatory topic remains unclear thereunder. Therefore, substantial uncertainties with respect to its implementation and interpretation exist, and it is also possible that the VIE entities will be deemed as FIEs and be subject to restrictions in the future. Such restrictions may cause interruptions to our operations and may incur additional compliance cost, which may in turn materially and adversely affect our business, financial condition, and results of operations.

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

As a result of our corporate structure and the contractual arrangements between us and our consolidated affiliated Chinese entities, we are effectively subject to the 6% PRC value-added tax, or VAT, on both revenues generated by our consolidated affiliated Chinese entities’ operations in China and revenues derived from our contractual arrangements with our consolidated affiliated Chinese entities. We might be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our consolidated affiliated Chinese entities were not made on an arm’s length basis and therefore constitute favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that our consolidated affiliated Chinese entities adjust their taxable income upward for PRC tax purposes. Such an adjustment could adversely affect us by increasing our



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consolidated affiliated Chinese entities' tax expenses without reducing our tax expenses, which could subject our consolidated affiliated Chinese entities to late payment fees and other penalties for underpayment of taxes, and/or result in the loss of the tax benefits available to our subsidiaries in China. The EIT Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. As a result, our contractual arrangements with our consolidated affiliated Chinese entities may result in adverse tax consequences to us.

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

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our subsidiaries in China and consulting and other fees paid to us by our consolidated affiliated Chinese entities. Under PRC laws and regulations, our subsidiaries and consolidated affiliated Chinese entities in China are required to set aside at least 10% of their respective after-tax profit each year, if any, to statutory reserve funds unless these reserve funds have reached 50% of the subsidiaries and consolidated affiliated Chinese entities' registered capital. These statutory reserve funds are not distributable as cash dividends and dividends cannot be distributed until any losses from prior fiscal years have been offset. Furthermore, as our subsidiaries and consolidated affiliated Chinese entities in China incurred debt on their own behalf, some of the instruments governing the debt restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

Pursuant to the EIT Law, its implementing rules and a circular of Taxation on Several Preferential Policies on Enterprise Income Tax issued by the PRC Ministry of Finance, or MOF, and STA, in February 2008, the dividends declared out of the profits earned after January 1, 2008 by an FIE to its immediate offshore holding company are subject to a 10% withholding tax unless such offshore holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement, and certain supplementary requirements and procedures stipulated by STA for such tax treaty are met and observed. Some of our subsidiaries in China are considered FIEs that are directly or indirectly held by our subsidiaries in Hong Kong. According to the currently effective tax treaty between mainland China and Hong Kong, dividends payable by an FIE in China to a company in Hong Kong that directly holds at least 25% of the equity interests in the FIE will be subject to a withholding tax of 5%.

Under the Notice of the State Taxation Administration on Issues regarding the Implementation of the Dividend Provision in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通告》) promulgated in February 2009, the taxpayer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. These conditions include, but are not limited to: (i) the taxpayer must be the beneficial owner of the relevant dividends, and (ii) the corporate shareholder to receive dividends from the PRC subsidiaries must have met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the STA promulgated the Announcement of the Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) in February 2018, which sets forth certain detailed factors in determining "beneficial owner" status, and specifically, if an applicant's business activities do not constitute substantive business activities, the applicant will not qualify as a "beneficial owner."

Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is further subject to the

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Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》) promulgated by the STA on October 14, 2019 and became effective from January 1, 2020, which provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, collect and retain relevant materials for reference in accordance with these treaties, and accept supervision and management from the tax authorities afterwards. As a result, we cannot assure you that we will be entitled to any preferential withholding tax rate under tax treaties for dividends received from our PRC subsidiaries.

***If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and ADS holders.***

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

Moreover, under the EIT Law and its implementation rules, foreign shareholders and ADS holders that are non-PRC resident enterprises may be subject to a 10% withholding tax upon dividends payable by an entity that is considered as a PRC resident enterprise and gains realized on the sale or other disposition of ADSs or Shares, if such income is considered as income derived from within China. Any such tax would reduce the returns on your investment in our Shares or ADSs. Furthermore, if we are deemed as a PRC resident enterprise, dividends paid to foreign ADS holders or shareholders that are non-PRC individuals may be subject to a 20% withholding tax, and gain realized on the sale or disposition of ADSs or ordinary shares of such foreign ADS holders or shareholders may be subject to 20% withholding tax, if such income is considered as derived from within China.

Any PRC tax liability may be reduced by an applicable tax treaty, but it is unclear whether non-PRC holders of Shares or ADSs would be able to obtain the benefits of any tax treaties between their country of tax residence and China in the event that we are treated as a PRC resident enterprise. Any such tax would reduce the returns on your investment in our Shares or ADSs.

***If we exercise the option to acquire equity ownership in our consolidated affiliated Chinese entities, such ownership transfer requires approval from or filings with PRC governmental authorities and subject to taxation, which may result in substantial costs to us.***

Pursuant to the relevant contractual arrangements, both of our PRC subsidiaries, Ctrip Travel Information and Ctrip Travel Network (or their respective designees), have their respective exclusive

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rights to purchase all or any part of the equity interests in the applicable consolidated affiliated Chinese entities of ours from the respective shareholders of these consolidated affiliated Chinese entities for a price that is the higher of (i) the amount of capital contribution to such consolidated affiliated Chinese entities, or the consideration paid in exchange for the equity interests in such consolidated affiliated Chinese entities, or (ii) another minimum price as permitted by the then applicable PRC laws. Such equity transfers may be subject to approvals from, or filings with, relevant PRC authorities. In addition, the relevant equity transfer prices may be subject to review and adjustment for tax determination by the relevant tax authorities. Moreover, the shareholders of our consolidated affiliated Chinese entities, under the circumstances of such equity transfers, will be subject to PRC individual income tax on the difference between the equity transfer prices and the then current registered capital of the relevant consolidated affiliated Chinese entities. The shareholders of such consolidated affiliated Chinese entities will pay, after deducting such taxes, the remaining amount to Ctrip Travel Information or Ctrip Travel Network, as appropriate, under the applicable contractual arrangements. The amount to be received by Ctrip Travel Information and Ctrip Travel Network may also be subject to enterprise income tax. Any of the aforementioned tax amounts could be substantial. Similar risk is faced by Qunar Software.

***We face uncertainty with respect to indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.***

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-PRC resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) issued by STA on December 10, 2009, or STA Circular 698, where a non-PRC resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an offshore holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in public securities market), or an Indirect Transfer, the non-PRC resident enterprise, as the seller, may be subject to PRC enterprise income tax of up to 10% of the gains derived from the Indirect Transfer in certain circumstances.

On February 3, 2015, STA issued Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfers by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or STA Notice No. 7, to supersede the tax rules in relation to the tax treatment of the Indirect Transfer, while the other provisions of STA Circular 698 irrelevant to the Indirect Transfer remain in force. STA Notice No. 7 introduces a new tax regime that is significantly different from that under a notice issued by STA Circular 698. It extends STA's tax jurisdiction to capture not only the Indirect Transfer as set forth under STA Circular 698 but also transactions involving indirect transfer of (i) real properties in China and (ii) assets of an "establishment or place" situated in China, by a non-PRC resident enterprise through a disposition of equity interests in an offshore company. STA Notice No. 7 also extends the interpretation with respect to the disposition of equity interests in an offshore company broadly. In addition, STA Notice No. 7 further clarifies how to assess reasonable commercial purposes and introduces safe harbors applicable to internal group restructurings. However, it also brings challenges to both offshore transferor and transferee as they are required to make self-assessment on whether an Indirect Transfer or similar transaction should be subject to PRC tax and whether they should file or withhold any tax payment accordingly. On October 17, 2017, the STA issued a Notice Concerning Withholding Income Tax of Non-Resident Enterprise (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or STA Notice No. 37, which abolishes STA Circular 698 and certain provision of STA Notice 7. STA Notice No. 37 further reduces the burden of withholding obligator, such as revocation of contract filing requirements and tax

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liquidation procedures, strengthens the cooperation of tax authorities in different places, and clarifies the calculation of tax payable and mechanism of foreign exchange.

There is uncertainty as to the application of STA Notice No. 7 and STA Notice No. 37. In the event that non-PRC resident investors were involved in our private equity financing transactions and such transactions were determined by the competent tax authorities as lack of reasonable commercial purposes, we and our non-PRC resident investors may become at risk of being taxed under and STA Notice No. 7 and STA Notice No. 37 and may be required to expend costly resources to comply with and STA Notice No. 7 and STA Notice No. 37, or to establish a case to be tax exempt under STA Notice No. 7 and STA Notice No. 37, which may cause us to incur additional costs and may have a negative impact on the value of your investment in us.

The PRC tax authorities have discretion under STA Notice No. 7 and STA Notice No. 37 to adjust the taxable capital gains based on the difference between the fair value of the transferred equity interests and the investment cost. We may pursue acquisitions in the future that may involve complex corporate structures. If we are deemed as a non-PRC resident enterprise under the EIT Law and if the PRC tax authorities adjust the taxable income of the transactions under STA Notice No. 7 and STA Notice No. 37, our income tax expenses associated with such potential acquisitions will increase, which may have an adverse effect on our financial condition and results of operations.

### **RISKS RELATING TO DOING BUSINESS IN CHINA**

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

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of the COVID-19 pandemic on the Chinese economy in 2020 is likely to be severe. Any

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prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

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

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

***Future movements in exchange rates between U.S. dollars and Renminbi may adversely affect the value of our Shares or ADSs.***

The conversion of Renminbi into foreign currencies, including U.S. dollars, is largely based on rates set by the People's Bank of China. Renminbi has fluctuated against U.S. dollars, at times significantly and unpredictably. The value of Renminbi against U.S. dollars and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against U.S. dollars in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate in the future.

The majority of our revenues and cost are denominated in Renminbi, while a portion of our financial assets, financial liabilities, and our dividend payments are denominated in U.S. dollars. Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. We may use foreign exchange spot, forward, or other contracts to help hedge our exposure to foreign currency risk where we deem necessary, and may adopt additional measures in the future to manage such risk. Any significant revaluation of Renminbi or U.S. dollars may adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, the ADSs. For example, an appreciation of Renminbi against U.S. dollars would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. An appreciation of Renminbi against U.S. dollars would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar-denominated financial assets into Renminbi, our reporting currency. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments relating to financial liabilities or making payments for dividends on our Shares or the ADSs or for other business purposes, appreciation of U.S. dollars against Renminbi would have a negative effect on the U.S. dollar amount available to us.

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

Because the majority of our revenues are denominated in Renminbi, any restrictions on currency exchange may limit our ability to use Renminbi-denominated revenues to fund our business activities outside China or to make dividend payments in U.S. dollars. The principal PRC regulation governing foreign currency exchange is the Regulations on Administration of Foreign Exchange, as amended, or the Forex Regulations. Under the Forex Regulations, Renminbi is freely convertible for trade- and service-related foreign exchange transactions, but not for direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange, or SAFE, is obtained. Although the PRC regulations now allow greater convertibility of Renminbi for current account transactions, significant restrictions remain. For example, foreign exchange transactions under our subsidiaries' capital account, including principal payments in respect



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of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval of SAFE. These limitations could affect our ability to obtain foreign exchange for capital expenditures. We cannot be certain that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of Renminbi, especially with respect to foreign exchange transactions.

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

SAFE issued the Circular of the SAFE on Foreign Exchange Administration for Financing and Round-Trip Investments by Domestic Residents via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 75, in October 2005 requiring PRC residents to register with the local SAFE branches before establishing or controlling any company outside of China for the purpose of capital financing with assets or equity interests in any onshore enterprise. On July 4, 2014, SAFE issued the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, which has superseded SAFE Circular 75 and states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, must register with the local branch of the SAFE before contributing its assets or equity interest in domestic enterprises, or offshore assets or interests into a special purpose vehicle, for the purpose of investment and financing; and (ii) when the special purpose vehicle undergoes changes in basic information, such as changes of its PRC resident natural person shareholders, name or operating period, or occurrence of a material event, such as change in share capital, transfer or replacement of equity of a PRC resident natural person, performance of merger or split, the PRC resident must register such change with the local branch of the SAFE in a timely manner. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

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

On February 15, 2012, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Individuals Participating in an Employees Share Incentive Plan of an Overseas-Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Incentive Rules, which replaced the prior circular in 2007, named Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in an Employee Stock Holding Plan or Stock Option Plan of an Overseas-Listed Company (《國家外匯管理局綜合司關於印發〈境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程〉的通知》). Under the Share Incentive Rules, PRC resident individuals who participate in a share

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incentive plan of an overseas publicly listed company are required to register with SAFE and complete certain other procedures. All such participants need to retain a PRC agent through PRC subsidiaries to register with SAFE and handle foreign exchange matters such as opening accounts, transferring and settlement of the relevant proceeds. The Share Incentive Rules further require an offshore agent to be designated to handle matters in connection with the exercise of share options and sale of shares for the participants of share incentive plans. We and our PRC employees who have been granted stock options are subject to the Share Incentive Rules. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal sanctions.

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

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

***Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.***

Among other things, the Regulation on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and certain other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the anti-monopoly law enforcement authority be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise.

Moreover, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) and Provisions of the State Council on Thresholds for Reporting of Concentrations of Operators (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (for example, during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion and at least two of these operators each had a turnover of more than RMB400 million within China) must be



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cleared by the anti-monopoly law enforcement authority before they can be completed. On February 7, 2021, the SAMR further issued the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. Due to the uncertainties associated with the evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in the China, it may be costly to adjust some of our business practice in order to comply with these laws, regulations, rules, guidelines and implementations. If we are found to have violated the PRC Anti-Monopoly Law for failing to file the notification of concentration and request for review, we could be subject to a fine of up to RMB500,000, and the parts of the transaction causing the prohibited concentration could be ordered to be unwound. Such unwinding could affect our business and financial results, and harm our reputation. Further, if any of our business cooperation arrangements with Qunar are determined to have violated the PRC Anti-Monopoly Law, we could be subject to sanctions including an order to cease the relevant activities, confiscation of illegal gains and fines of 1% to 10% of our sales revenues from the previous year. See “—Risks Relating to Our Business and Industry—Our strategy to acquire or invest in complementary businesses and assets and establish strategic alliances involves significant risk and uncertainties that may have a material adverse effect on our business, reputation, financial condition, and results of operations.”

In addition, the Circular of the General Office of the State Council on the Establishment of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) issued on February 3, 2011, and the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the PRC Ministry of Commerce, or MOFCOM, that became effective on September 1, 2011, require acquisitions by foreign investors of PRC companies engaged in military-related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. In December, 2020, the NDRC and the MOFCOM further promulgated the Foreign Investment Security Review Measures (《外商投資安全審查辦法》), which took effect on January 18, 2021. These measures require direct or indirect investment by foreign investors of PRC companies engaged in military-related or certain other industries be subject to security review before consummation of any such investment. “Certain other industries” refer to, among others, important transportation services, important culture products and services, important information technology and internet products and services, and important finance services that are crucial to national security.

In order to grow our business, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***It may be difficult for overseas regulators to conduct investigation or collect evidence within China.***

Shareholder claims or regulatory investigation that are common in the United States or Hong Kong generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or

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region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the PRC territory. While detailed interpretation of or implementation rules under this Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase the difficulties you face in protecting your interests.

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

As an offshore holding company, our ability to make loans or additional capital contributions to our PRC operating subsidiaries is subject to PRC regulations and approvals and there are restrictions for us to make loans to our consolidated affiliated Chinese entities. These regulations and approvals may delay or prevent us from using the proceeds we received in the past or will receive in the future from the offerings of securities to make loans or additional capital contributions to our PRC operating subsidiaries and our consolidated affiliated Chinese entities, and impair our ability to fund and expand our business which may adversely affect our business, financial condition and result of operations.

For example, on March 30, 2015, SAFE promulgated a Circular on the Reforming of Administrative Methods Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Companies (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which became effective on June 1, 2015 and replaced the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or SAFE Circular 142. Previously, pursuant to SAFE Circular 142, the registered capital of an FIE settled in Renminbi converted from foreign currencies may only be used within the business scope approved by the applicable government authority and may not be used for equity investments in China, and the FIE may not change how it uses such capital without SAFE's approval, and may not in any case use such capital to repay Renminbi loans if they have not used the proceeds of such loans in accordance with SAFE's approval. Although SAFE Circular 19 restates certain restrictions on the use of investment capital denominated in foreign currency by FIEs, it specifies that the registered capital of an FIE whose main business is investment, denominated in foreign currency, can be converted into Renminbi at the discretion of such FIE and can be used for equity investment in China subject to the invested company's filing of a reinvestment registration with the relevant local SAFE. On June 9, 2016, SAFE issued the Circular on Reforming and Regulating the Administrative Policy of the Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, which became effective on the same date. Although SAFE Circular 16 further extends the reform to cover foreign currency income under capital account, including capital, foreign debt and proceeds from offshore offering and listing, an FIE's foreign currency income and such income settled in Renminbi under the capital account cannot be used directly and indirectly for any purposes out of the FIE's business scope or in areas prohibited by laws and regulations. According to the Circular on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) promulgated by SAFE on October 23, 2019, or SAFE Circular 28, non-investment FIEs are allowed to use their capital for equity investment in China provided that such investment is not in violation of the currently effective Special Administrative Measures for Foreign Investment Access (Negative List) and the target investment projects are truthful and compliant with relevant laws and regulations. According to the Circular on Optimizing the Administration of Foreign Exchange to Support the Development of

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Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments using the income under their capital accounts generated from their capital, foreign debt and overseas listing, without providing materials evidencing the authenticity in advance, provided that the capital usage is authentic and compliant with the current capital account income usage management regulations. The concerned bank is required to conduct spot checks in accordance with the relevant requirements. However, the interpretation and enforcement of SAFE Circular 19, SAFE Circular 16, SAFE Circular 28, and SAFE Circular 8 remained to be subject to uncertainty.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our various offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***We have attempted to comply with the PRC regulations regarding licensing requirements. If the PRC laws and regulations change, our business in China may be adversely affected. Any lack of requisite approvals, licenses, or permits applicable to our business or any failure to comply with applicable laws or regulations may materially and adversely affect our business, financial condition, and results of operations.***

The PRC government regulates the internet and related industry extensively and these internet-related laws and regulations are relatively new and evolving. New laws and regulations applicable to internet business and activities may be promulgated, and their interpretation and enforcement involve significant uncertainties. If these new laws and regulations are promulgated, additional licenses may be required for our online operations. As a result, under certain circumstances it may be difficult to determine what actions or omissions constitute violations of applicable laws and regulations. If our operations do not comply with these new regulations at the time they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

When entering into new businesses, we may encounter additional regulatory uncertainties. For example, at the beginning of 2020, we launched our live streaming program to promote travel destinations across China with the latest deals on hotels, flights, excursion tickets and other products. On November 12, 2020, the National Radio and Television Administration promulgated a Notice on Strengthening the Management of Online Show Live Streaming and E-commerce Live Streaming (《關於加強網絡秀場直播和電商直播管理的通知》), which requests live streaming platforms for online shows and e-commerce to be filed with the National Radio and Television Administration. However, as this notice does not specifically define what live streaming platform for e-commerce is, it is unclear whether our live streaming program mainly for the promotion of products sold on our own platform is subject to the notice. Based on our consultation on January 28, 2021 with local counterpart of the National Radio and Television Administration, the competent authority of regulating live streaming business, the live streaming business that we currently operate on our platform is not subject to filing with the National Radio and Television Administration, in accordance with this notice. The National Radio and Television Administration is responsible for guiding the development and publicity of online audio-visual program services, including live streaming businesses, supervising the audio-visual programs transmitted by information networks and public carriers, reviewing their contents and qualities, and conducting investigation and punishing on illegal online audio-visual program services. Should the relevant authorities decide that we are subject to this notice, our live streaming business

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may be subject to more restrictions and will need to comply with additional requirements, which may increase our compliance costs and adversely impact our business, financial condition, and results of operations.

On November 13, 2020, the Cyberspace Administration of China promulgated a draft of Administrative Measures on Internet Live Streaming Marketing Information Content Services for public comment (《互聯網直播營銷信息內容服務管理規定(徵求意見稿)》). According to the draft, all entities that conduct internet live streaming marketing services must be subject to the administration and supervision of the Cyberspace Administration of China. This draft provides firstly the definition of the live streaming marketing platform, which includes internet live streaming services platform, internet audio-video services platform, and e-commerce platform, and requests the live streaming marketing platform to be filed with the Cyberspace Administration of China and to report to local counterpart of the Cyberspace Administration of China for security valuation. Meanwhile, the live streaming marketing platform shall implement real-name registration system for all live streaming operator on the platform.

In addition, the PRC government and regulatory authorities have adopted regulations governing content contained within videos, live streaming, and other information over the internet. Under these regulations, internet content providers are prohibited from posting or displaying content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent, violent, or defamatory on the internet. Any failure to comply with these regulations may subject us to liability. We conduct content reviews regularly to ensure the live streaming content on our platform comply with relevant laws and regulations, but we cannot assure you that our review process will always guarantee zero violation of the content related laws and regulations. Reports or publicity of content on our platform that are fraudulent, obscene, superstitious, or otherwise inappropriate may result in negative publicity, harm to our brand or a regulatory response that might have a material and adverse impact on our business.

The interpretation and application of existing PRC laws, regulations and policies and upcoming new laws, regulations or policies relating to the internet industry have created substantial uncertainties in the compliance of our business operations. We regularly communicate with the competent government authorities to stay compliant with applicable laws and regulations. We plan to continue to establish a real-name registration system and conduct necessary content review as an Internet information services provider in accordance with current laws and regulations. If we fail to obtain or maintain the proper approvals, licenses, or permits required by applicable laws and regulations, the competent government authorities have the power, among other things, to levy fines, confiscate our income, revoke our business licenses, require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations.

***The continued growth of the Chinese internet market depends on the development of telecommunications infrastructure.***

Almost all access to the internet in China is state-owned, and telecommunication operations are under MIIT's administrative control and regulatory supervision. In addition, the national networks in China connect to the internet through government-controlled international gateways. These international gateways are the only channels through which a domestic PRC user can connect to the international internet network. We rely on this infrastructure, primarily China Telecom and China Unicom, to provide data communications capacity. Although the PRC government has announced plans to aggressively develop the national information infrastructure, we cannot assure you that this infrastructure will be developed, or that it will be sufficiently upgraded to meet the specifications of the



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existing or future technological advancement, such as 5G internet. In addition, we will have no access to alternative networks and services, on a timely basis if at all, in the event of any infrastructure disruption or failure. The internet infrastructure in China may not support the demands associated with continued growth in internet usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, some users may be prevented from accessing the mobile internet and thus cause the growth of mobile internet users to decelerate. Such deceleration may adversely affect our ability to continue to expand our user base and maintain our user experience.

***Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.***

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. According to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the PRC authorities, our auditor is currently not inspected by the PCAOB.

The SEC has announced interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA for certain commission-identified issuers on March 24, 2021. We are not required to comply with the rules until the SEC establishes new procedures to identify such issuers. The SEC is seeking public comments on the disclosure and documentation requirements and plans to separately address the identification process and trading prohibition requirements in the HFCAA in the future. The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection for three consecutive years. For example, on August 6, 2020, the President's Working Group on Financial Markets, or the PWG, issued the *Report on Protecting United States Investors from Significant Risks from Chinese Companies* to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCAA. However, some of the recommendations were more stringent than the HFCAA. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCAA and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and

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what, if any, of the PWG recommendations will be adopted. The implications of this possible regulation in addition the requirements of the HFCAA are uncertain. Such uncertainty could cause the market price of our ADSs to be materially and adversely affected, and our securities could be delisted or prohibited from being traded “over-the-counter” earlier than would be required by the HFCAA. If our securities are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

The PCAOB’s inability to conduct inspections in China prevents it from fully evaluating the audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in China or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in China of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

***Proceedings instituted by SEC against the PRC affiliates of the Big Four accounting firms, including our independent registered public accounting firm, could result in our financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended.***

Starting in 2011, the PRC affiliates of the Big Four accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and PRC law. Specifically, for certain U.S.-listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the PRC firms access to their audit work paper and other related documents. The firms were, however, advised and directed that under PRC law, they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC.

In December 2012, SEC brought administrative proceedings against the Big Four accounting firms, including our independent registered public accounting firm in China, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under SEC’s investigation for potential accounting fraud. On January 22, 2014, an initial administrative law decision, or Initial Decision, was issued, censuring these accounting firms and suspending four of the five firms from practicing before SEC for a period of six months. The accounting firms filed a Petition for Review of the Initial Decision to SEC. On February 6, 2015, the Big Four China-based accounting firms each agreed to a censure and to pay a fine to SEC to settle the dispute and avoid suspension of their ability to practice before SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide SEC with access to PRC firms’ audit documents via the CSRC. If future document productions fail to meet specified criteria, during a period of four years starting from the settlement date, the SEC retained authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure.



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While we cannot predict if SEC will further review the four China-based accounting firms' compliance with specified criteria or if the results of such a review would result in SEC imposing penalties such as suspensions or restarting the administrative proceedings, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs from Nasdaq or the termination of the registration of our ADSs under the Securities Exchange Act of 1934, as amended, or the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

***Certain of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.***

Certain of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. In case of failure to register or file a lease, the parties to the unregistered lease may be ordered to make rectifications (which would involve registering such leases with the relevant authority) before being subject to penalties. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. We are unable to control whether and when the applicable lessors will complete or cooperate with us to complete the registration in a timely manner. In the event that a fine is imposed on both the lessor and lessee, and if we are unable to recover from the lessor any fine paid by us, such fine will be borne by us.

### **RISKS RELATING TO OUR SHARES, OUR ADSS, AND THE LISTING**

***As a company applying for listing under Chapter 19C, we adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.***

As we are applying for listing under Chapter 19C of the Hong Kong Listing Rules, we will not be subject to certain provisions of the Hong Kong Listing Rules pursuant to Rule 19C.11, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO. As a result, we will adopt different practices as to those matters as compared with other companies listed on the Hong Kong Stock Exchange that do not enjoy those exemptions or waivers. For additional information, see "Waivers and Exemptions."

Furthermore, if 55% or more of the total worldwide trading volume, by dollar value, of our Shares and ADSs over our most recent fiscal year takes place on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange will regard us as having a dual primary listing in Hong Kong and we will no longer enjoy certain exemptions or waivers from strict compliance with the requirements under the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO, which could result in us having to amend our corporate structure and Articles of Association and our incurring of incremental compliance costs.

***The trading price of our ADSs has been and is likely to continue to be, and the trading price of our Shares can be, volatile, which could result in substantial losses to holders of our Shares and/or the ADSs.***

The trading price of our ADSs has been and is likely to continue to be volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. The trading

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price of our Shares, likewise, can be volatile for similar or different reasons. For example, the trading prices of our ADSs on the Nasdaq have ranged from US\$20.10 to US\$51.91 per ADS in the Track Record Period, and the last reported trading price on the Latest Practicable Date was US\$39.63 per ADS. In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in China, especially internet and technology companies, that have listed their securities in Hong Kong and/or the United States may affect the overall investor attitude towards Chinese public companies. The securities of some of these companies have experienced and may continue to experience significant volatility, resulting from, among other things, underperformance and deteriorating financial results, negative news or perceptions about inadequate corporate governance practices, and fraudulent behaviors of such companies.

Consequently, the trading performance of our Shares and/or the ADSs may be adversely and materially affected, regardless of our actual operation performance.

In addition to market and industry factors, the price and trading volume for our Shares and/or the ADSs may be highly volatile for factors specific to our operation, including the followings:

- the COVID-19 pandemic and its impact on the travel industry;
- actual or anticipated fluctuations in our quarterly operating results and variations in our results of operations that are not in line with market or research analyst expectations or changes in financial estimates by securities research analysts;
- conditions in the internet or travel industries;
- announcements of studies and reports relating to the quality of our product and service offerings or those of our competitors;
- changes in the economic performance or market valuations of other internet or travel companies or other companies that primarily operate in China;
- changes in major business terms between our ecosystem partners and us;
- announcements made by us or our competitors of new features or functionalities or other product and service offerings, investments, acquisitions, strategic relationships, joint ventures, or capital commitments;
- press and other reports, whether or not true, about our business, our directors, senior management, or other key employees, including negative reports published by short sellers, regardless of their veracity or materiality to us;
- litigation and regulatory allegations or proceedings that involve us and our directors;
- additions to or departures of our management;
- political or market instability or disruptions, and actual or perceived social unrest in the markets where we operate;
- fluctuations of exchange rates among the Renminbi, the Hong Kong dollar and the U.S. dollar;
- sales or perceived potential sales or other dispositions of existing or additional Shares and/or ADSs or other equity or equity-linked securities;
- any actual or alleged illegal acts of our directors, senior management, or other key employees;
- any share repurchase program;

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- regulatory developments affecting us or our industry, users, licensors and other ecosystem partners; and
- market and volume fluctuations in the stock market in general.

In addition, the stock market in general experiences price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us, such as the large decline in share prices in the United States in early 2020. These market and industry fluctuations may significantly affect the trading price of our Shares and/or ADSs. In the past, following periods of instability in the market price of a company's securities, shareholders have often instituted securities class action suits against that company. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, and, if adversely determined, could materially and adversely affect our business, financial condition, and results of operations.

***The different characteristics of the capital markets in Hong Kong and the United States may negatively affect the trading prices of our Shares or ADSs.***

Upon the Listing, we will be subject to Hong Kong and United States regulatory requirements concurrently. The Hong Kong Stock Exchange and Nasdaq have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Shares and our ADSs may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of the Shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historical market prices of our ADSs may not be indicative of the trading performance of the Shares after the Global Offering.

***Exchange between our Shares and our ADSs may adversely affect the liquidity and/or trading price of each other.***

Our ADSs are currently traded on Nasdaq. Subject to compliance with U.S. securities law and the terms of the Deposit Agreement, holders of our Shares may deposit Shares with the depositary in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the underlying Shares represented by the ADSs pursuant to the terms of the Deposit Agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Shares are deposited with the depositary in exchange for ADSs or vice versa, the liquidity and trading price of our Shares on the Hong Kong Stock Exchange and our ADSs on Nasdaq may be adversely affected.

***The time required for the exchange between Shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Shares into ADSs involves costs.***

There is no direct trading or settlement between Nasdaq and the Hong Kong Stock Exchange on which our ADSs and the Shares are respectively traded. In addition, the time differences between Hong Kong and New York and unforeseen market circumstances or other factors may delay the deposit of Shares in exchange for ADSs or the withdrawal of Shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, there is no assurance that any exchange of Shares into ADSs (and vice versa) will be completed in accordance with the timelines investors may anticipate.

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Furthermore, the depository for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of Shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs and annual service fees. As a result, shareholders who exchange Shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

***Substantial future sales or perceived potential sales of ordinary shares, ADSs or other equity securities in the public market could lower the market price for the ADSs and adversely impact the price of the ADSs.***

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

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

As of December 31, 2020, the aggregate principal amount of our outstanding convertible notes was US\$1.1 billion. Certain provisions of our convertible notes could make it more difficult or more expensive for a third party to acquire us. The indentures for these convertible notes define a “fundamental change” to include, among other things: (i) any person or group gaining control of our company; (ii) our company merging with or into another company or disposing of substantially all of its assets; (iii) any recapitalization, reclassification or change of our ordinary shares or the ADSs as a result of which these securities would be converted into, or exchanged for, stock, other securities, other property or assets; (iv) the adoption of any plan relating to the dissolution or liquidation of our company; or (v) our ADSs ceasing to be listed on a major U.S. national securities exchange in certain circumstances, subject to certain exceptions where the applicable consideration comprises U.S.-listed common equity or ADSs. Upon the occurrence of a fundamental change, holders of these notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of US\$1,000. In the event of a fundamental change, we may also be required to issue additional ADSs upon conversion of our convertible notes.

***As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq corporate governance listing standards.***

As a Cayman Islands company listed on the Nasdaq, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. As we have chosen, or may from time to time to choose, to follow home country practice exemptions with respect to certain corporate matters such as the requirement of majority independent directors on our board of directors, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

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***We are a foreign private issuer within the meaning of the rules under the U.S. Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

Because we qualify as a foreign private issuer under the U.S. Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the U.S. Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the U.S. Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the U.S. Exchange Act;
- the sections of the U.S. Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

As a Cayman Islands exempted company listed on Nasdaq, we are subject to Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from Nasdaq corporate governance listing standards. For example, neither the Companies Act (As Revised) of the Cayman Islands nor our Memorandum and Articles requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. We follow home country practice with respect to annual meetings and do not hold an annual meeting of shareholders every year. We undertake we will hold annual general meeting every year after the Listing for so long as our Company remains listed on the Hong Kong Stock Exchange. If we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

***You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts or Hong Kong courts may be limited, because we are incorporated under Cayman Islands law, and because we conduct the majority of our operations in China and because the majority of our directors and officers reside outside of the United States.***

We are incorporated in the Cayman Islands, and we conduct the majority of our operations in China through our wholly-owned subsidiaries and several consolidated affiliated Chinese entities in China. Most of our directors and officers reside outside of the United States or Hong Kong and most of the assets of those persons are located outside of the United States or Hong Kong. As a result, it may be difficult for you to effect service of process within the United States or Hong Kong upon these



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persons, or to bring an action against us or against these individuals in the Cayman Islands or in China in the event you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and China may render you unable to enforce a judgement against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of Judgments obtained in the United States or Hong Kong, although the courts of the Cayman Islands will, at common law, recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without any re-examination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided such judgment (i) is final and conclusive, (ii) is not in respect of taxes, a fine or a penalty, and (iii) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law or Hong Kong courts if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Act of the Cayman Islands, or the Companies Act, and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders, and the fiduciary responsibilities of our directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority in a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States or Hong Kong. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States or Hong Kong. In addition, shareholders in Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts or Hong Kong courts.

As a result, our public shareholders may have more difficulties in protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States or Hong Kong.

***The voting rights of ADS holders are limited by the terms of the deposit agreement, and ADS holders may not be able to exercise their right to direct how the ordinary shares represented by the ADSs are voted.***

Holders of the ADSs will not have any right to attend general meetings of our shareholders or to cast any votes directly at such meetings, and will only be able to exercise the voting rights that attach to the underlying ordinary shares represented by the ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, ADS holders may vote only by giving voting instructions to the depositary, as the registered holder of the underlying ordinary shares which are represented by the ADSs. Upon receipt of voting instructions from ADS holder, the depositary will endeavor to vote the underlying ordinary shares in accordance with such instructions. Holder of the ADSs will not be able to directly exercise any right to vote with respect to the underlying shares unless ADS holders withdraw the shares and becomes the registered holder of such shares prior to the record date for the general meeting. Under our memorandum and articles of association, the minimum notice period required to be given by our



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company to our registered shareholders for convening a general meeting is seven days. When a general meeting is convened, there may not be a sufficient advance notice to enable ADS holders to withdraw the underlying shares represented by the ADSs and become the registered holder of such shares prior to the record date for the general meeting to allow ADS holder to attend the general meeting and to vote directly with respect to any specific matter or resolution that is to be considered and voted upon at the general meeting. In addition, under our memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying shares which are represented by your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, if we ask it to, the depositary will endeavor to notify ADS holders of the upcoming vote and arrange to deliver our voting materials to ADS holders. We cannot assure that ADS holders will receive the voting materials in time to ensure that ADS holders can instruct the depositary to vote the underlying shares that are represented by the ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that ADS holders may not be able to exercise the right to direct the voting of the underlying shares that are represented by the ADSs and there may be nothing ADS holders can do if the shares underlying the ADSs are not voted as requested.

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

***The right of ADS holders to participate in any future rights offerings may be limited, which may cause dilution to their holdings.***

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

***Holders of the ADSs may not receive distributions on ordinary shares or any value for them if it is illegal or impractical to make them available to them.***

The depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities after deducting its fees and expenses. ADS holders will receive these distributions in proportion to the number of ordinary shares

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## RISK FACTORS

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the ADSs represent. However, the depository is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. We have no obligation to register ADSs, ordinary shares, rights or other securities under U.S. securities laws. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that ADS holders may not receive the distribution we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to them. These restrictions may have a material adverse effect on the value of the ADSs.

***Holders of the ADSs may be subject to limitations on transfer of their ADSs.***

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

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

In November 2007, we implemented a defense mechanism against potential hostile takeovers through a shareholder rights plan pursuant to a rights agreement, which was subsequently amended. The shareholder rights plan is accounted as dividend in our financial statements. Although the rights plan will not prevent a takeover, it is intended to encourage anyone seeking to acquire our company to negotiate with our board of directors prior to attempting a takeover by potentially significantly diluting an acquirer's ownership interest in our outstanding shares. As the shareholder rights plan generally allows shareholders, except for the acquirer who triggers the exercise of Rights, to purchase additional shares at significantly discounted market price, the potential dilution effect is dependent on the number of shares purchased by the acquirer and other factors related to the acquisition, and may not be estimated at this time. In addition, the existence of the rights plan may also discourage transactions that otherwise could involve payment of a premium over prevailing market prices for the ADSs.

***We are exposed to risks associated with the potential spin-off of one or more of our businesses.***

We are exposed to risks associated with the potential spin-off of one or more of our businesses. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules for any potential spin-off on the Hong Kong Stock Exchange within three years of the Listing. While we currently have not identified any target for a spin-off listing on the Hong Kong Stock Exchange, we may consider opportunities in a spin-off listing to bring value to our shareholders. The waiver granted by the Hong Kong Stock Exchange is conditional upon confirmation with the Hong Kong Stock Exchange prior to any spin-off that it would not render our Company, excluding the business to be spun off, failing to meet the eligibility and suitability requirements under Rule 19C.05 of the Hong Kong Listing Rules based on the financial information of the business to be spun off at the time of the Listing, and where more than one business is to be spun off, the assessment will be made on a cumulative basis. See "Waivers and Exemptions—Rules related to spin-off listings."

### RISKS RELATING TO THE GLOBAL OFFERING

***An active trading market for our Shares on the Hong Kong Stock Exchange might not develop or be sustained and trading prices of our Shares might fluctuate significantly.***

Following the completion of the Global Offering, we cannot assure you that an active trading market for our Shares on the Hong Kong Stock Exchange will develop or be sustained. The trading

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## RISK FACTORS

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price or liquidity for our ADSs on the Nasdaq might not be indicative of those of our Shares on the Hong Kong Stock Exchange following the completion of the Global Offering. If an active trading market of our Shares on the Hong Kong Stock Exchange does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

In 2014, the Hong Kong, Shanghai and Shenzhen Stock Exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and mainland Chinese investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai and Shenzhen markets. Stock Connect allows mainland Chinese investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, mainland Chinese investors would not otherwise have a direct and established means of engaging in Southbound Trading. However, it is unclear whether and when the Shares of our Company, with a secondary listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Shares for trading through Stock Connect will affect mainland Chinese investors' ability to trade our Shares and therefore may limit the liquidity of the trading of our Shares on the Hong Kong Stock Exchange.

***Since there will be a gap of several days between pricing and trading of our Shares, the price of our ADSs traded on the Nasdaq may fall during this period and could result in a fall in the price of our Shares to be traded on the Hong Kong Stock Exchange.***

The pricing of the Offer Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the trading price of our Shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the time trading begins. In particular, as our ADSs will continue to be traded on the Nasdaq and their price can be volatile, any fall in the price of our ADSs may result in a fall in the price of our Shares to be traded on the Hong Kong Stock Exchange.

***There is uncertainty as to whether Hong Kong stamp duty will apply to the trading of our ADSs or deposits of our Shares in, or withdrawals of our Shares from, the ADS facility following our initial public offering in Hong Kong and listing of our Shares on the Hong Kong Stock Exchange.***

In connection with our initial public offering of Shares in Hong Kong we will establish a branch register of members in Hong Kong, or the Hong Kong share register. Our Shares that are traded on the Hong Kong Stock Exchange, including those to be issued in the Global Offering and those that may be withdrawn from the ADSs facility, will be registered on the Hong Kong share register, and the trading of these Shares on the Hong Kong Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-ordinary share interchanges and trading between the Nasdaq and the Hong Kong Stock Exchange, we also intend to move a portion of our issued Shares from our principal register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the

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## RISK FACTORS

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buyer and the seller. See “Information About the Listing—Dealings and Settlement of Shares in Hong Kong.”

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading of ADSs or deposits in or withdrawals of shares from the ADS facilities for companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their ordinary shares, including ordinary shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading of ADSs or deposits in or withdrawals of shares from the ADS facilities for these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply these transactions, the trading price and the value of your investment in our Shares and/or ADSs may be affected.

***Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.***

The initial Hong Kong Offer Price of our Shares in Hong Kong is higher than the net tangible assets per Share of the outstanding Shares issued to our existing shareholders immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

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## WAIVERS AND EXEMPTIONS

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We have sought the following waivers and exemptions from strict compliance with relevant provisions of the Hong Kong Listing Rules, the SFO and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and have applied for a ruling under the Takeovers Codes:

<u>Rules</u>	<u>Subject matter</u>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountant's Report
Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules	Investments after the Track Record Period
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules	Subscription for Shares by Existing Shareholders
Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules	Participation by Baidu in the Global Offering
Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules	Printed Prospectuses
Rule 13.25B of the Hong Kong Listing Rules	Monthly Return
Rule 13.46(2)(b) of the Hong Kong Listing Rules	Laying 2020 annual financial accounts at an AGM within six months of fiscal year end
Rules 19C.07(3) and 19C.07(4) of the Hong Kong Listing Rules	Shareholder Protection Requirements
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 27 of Appendix 1A to the Hong Kong Listing Rules and paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to Us
Paragraphs 33(2), 33(3), 46(2) and 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 to the Hong Kong Listing Rules	Disclosure of Interests Information
Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules	Rules related to spin-off listings
Guidance Letter GL37-12	Timing requirement of liquidity and indebtedness disclosure
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
Paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules	Clawback Mechanism

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## WAIVERS AND EXEMPTIONS

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Rules	Subject matter
Section 4.1 of the Introduction to the Takeovers Codes	Not a public company in Hong Kong under the Takeovers Codes
Part XV of the SFO	Disclosure of interests under Part XV of the SFO

### PRINTED CORPORATE COMMUNICATIONS

Rule 2.07A of the Hong Kong Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

Our ADSs have been listed on Nasdaq since 2003. We have a diverse shareholder base with ADS holders globally.

We do not currently produce or send out any corporate communications to our shareholders or holders of ADSs in printed form unless requested or in limited circumstances. We publicly file or furnish various corporate communications with the SEC that are posted on the SEC's website. Our annual reports on Form 20-F and current reports on Form 6-K and all amendments to these reports are also available free of charge on our website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, we will post our proxy materials and notices to our shareholders and holders of ADSs on the Company's publicly accessible website.

Apart from the Hong Kong Offer Shares that we will offer for subscription by the public in Hong Kong, the International Offer Shares will be placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given our diverse shareholder base and the potential number of countries in which our shareholders are located, we consider that it would not be practicable for us to send printed copies of all our corporate communications to all of our shareholders. Further, we consider that it would also not be practicable for us to approach our existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 2.07A of the Hong Kong Listing Rules on the conditions that we will:

- (a) issue all future corporate communications as required by the Hong Kong Listing Rules on our own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (b) provide printed copies of proxy materials to our shareholders at no costs upon request; and
- (c) ensure that the "Investor Relations" page of our website ([investors.trip.com](http://investors.trip.com)) will direct investors to all of our future filings with the Hong Kong Stock Exchange.

### DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANT'S REPORT

Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance set out



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## WAIVERS AND EXEMPTIONS

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certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (a) balance sheet at a company level;
- (b) aging analysis of accounts receivables;
- (c) aging analysis of accounts payables; and
- (d) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

In accordance with U.S. GAAP, we have applied the modified retrospective approach to account for the impact of the adoption of the new accounting standards in the Track Record Period. Under the modified retrospective approach adopted by us, comparative periods in the latest consolidated financial statements are not retrospectively adjusted.

The new accounting standards including “Accounting Standards Update 2016-02 “Leases” (Topic 842), and “Accounting Standards Update 2016-13 “Financial Instruments — Credit Losses” (Topic 326), were adopted by using the modified retrospective approach. The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountant’s Report in Appendix I to this document.

ASC 842 was adopted on January 1, 2019 using the modified retrospective approach by applying the new lease standard to all leases existing as of January 1, 2019, the date of initial application, and no adjustments were made to the comparative periods. ASC 842 does not permit a full retrospective approach. Adoption of the new lease standard resulted in the recognition of RMB1.0 billion operating lease right-of-use assets and RMB980 million operating lease liabilities on the consolidated balance sheet as of January 1, 2019. The adoption of the new lease standard does not have any significant impact on the consolidated statements of operations and comprehensive income and cash flows.

ASU 2016-13 “Financial Instruments — Credit Losses (Topic 326),” was adopted on January 1, 2020 which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 was applied using a modified retrospective approach with adjustment recognized to opening retained earnings on January 1, 2020. ASU 2016-13 does not permit a full retrospective approach and comparative prior periods should not be adjusted. The adoption does not have any significant impact on the consolidated financial statements.

The following alternative disclosures with respect to certain items identified above which are relevant to us have been included in this document:

- (a) disclosure of the accounting policies for the adoption of ASC 842 and ASU 2016-13 as well as the impact of adoption, if any, in the Accountant’s Report in Appendix I to this document; and
- (b) for the new accounting standard that came into effect during the Track Record Period, the accounting policy as well as the impact of adoption, if any, to the beginning retained earnings of initial application (*i.e.* January 1, 2019 and 2020) has been disclosed in the Accountant’s Report in Appendix I to this document in accordance with the relevant requirements under U.S. GAAP.

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As this document has included the above alternative disclosures and the current disclosure in this document contains all information that is necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, we believe that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountant's Report in Appendix I to this document to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and that the non-disclosure of such information will not prejudice the interests of investors.

We have applied for, and SFC has granted, an exemption from strict compliance with the requirements under paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption is granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

We have also applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

### INVESTMENTS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules, the accountant's report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of this document.

Pursuant to Rule 4.02A of the Hong Kong Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note to Rule 4.04 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

During the Track Record Period, we made investments in a number of companies both in China and overseas in the ordinary and usual course of business to further our strategic objectives. Since December 31, 2020 and up to the Latest Practicable Date, we have made or proposed to make investments in a number of companies, and we expect to continue to enter into further investments subsequent to the Latest Practicable Date and prior to the date of this document (collectively, the "**Investments**"). Details of the Investments up to the Latest Practicable Date include:

<u>Investment</u> <sup>(1)(3)</sup>	<u>Approximate consideration</u> <sup>(2)</sup>	<u>Percentage of shareholding / equity interest</u> <sup>(2)</sup>	<u>Principal business activities</u>
Company A . . . . .	RMB700.0 million	53.0% <sup>(4)</sup>	OTA
Company B . . . . .	USD14.3 million	9.9%	Virtual banking
Company C . . . . .	USD10.0 million	33.3%	Hotel management
Company D . . . . .	RMB2.0 million	20.0%	Car service
Company E . . . . .	RMB90.9 million	14.9%	Hotel

*Notes:*

- (1) Given that we have not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate consideration disclosed in the table represents each of the Investment after December 31, 2020. The percentage of shareholding/equity interest represents our Company's total pro forma shareholding in each of the Investments after the completion of the disclosed transaction.

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## WAIVERS AND EXEMPTIONS

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- (3) None of the connected persons at the level of our Company is a controlling shareholder of any of the Investments.
- (4) The Company does not have control over Company A since the Company does not have control of the board of directors of Company A, which makes all its significant decisions.

We confirm that the investment amounts for the Investments are the result of commercial arm's length negotiations, based on factors including market dynamics, a mutually agreed valuation, and/or capital required for the relevant company's operations.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Investments on the following grounds:

### **Ordinary and usual course of business**

Our Company makes strategic equity investments in sectors relating to our business as part of our ordinary and usual course of business. Our Company has a history of making minority investments and has conducted a number of minority investments during the Track Record Period.

### **The percentage ratios of each Investment are all less than 5% by reference to the most recent fiscal year of the Track Record Period.**

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for each of the Investments are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period. We do not believe that the Investments are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Investments involves the acquisition of interests in a different company and (ii) the Investments were entered into with different counterparties.

Accordingly, we believe that each of the Investments have not resulted in any significant changes to our financial position since December 31, 2020, and all information that is reasonably necessary for potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

### **We are not able to exercise any control over the underlying company or business**

We confirm that: (i) we only hold and/or will only hold an investment equity interest in each of the companies and do not control their boards of directors and have any significant influence over the underlying business, and expects this to remain the case for any subsequent Investments; and (ii) our Company cannot determine the day to day management of these Investments and only enjoys strategic shareholder rights. The rights given to our Company are generally commensurate to our status as a non-controlling shareholder and are for the protection of our interests as a non-controlling stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in this document audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. Underlying financial information of the Investments compliant with the Hong Kong Listing Rules are not available for disclosure and it would be unduly burdensome for us to prepare the necessary financial information and supporting documents. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to our Company's portfolio relationships and commercial interests to make such disclosures. In addition, as such portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable

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## WAIVERS AND EXEMPTIONS

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competitive position. Accordingly, as we do not expect the Investments to result in any material changes to our financial position after the Track Record Period, we do not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of investors.

### **Alternative disclosure of the Investments in this document**

Our Company has disclosed alternative information about the Investments in this document. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that our directors consider to be material, including, for example, descriptions of the relevant companies' principal business activities, the investment amounts, and a statement that whether the connected persons at the level of our Company is a controlling shareholder of any of the Investments. We have however excluded disclosure on the names of companies in connection with the Investments in this document because (i) our Company has entered into confidentiality agreements with these companies and does not have consent for such disclosure and/or (ii) given that our Company has not yet entered into legally binding agreements with respect to certain of the Investments as of the Latest Practicable Date and the competitive nature of the industries in which our Company operates, disclosure of the names of the relevant companies in this document is commercially sensitive and may jeopardize our ability to consummate the proposed Investments. We consider that it is commercially sensitive to disclose the identities of the companies our Company invested in or propose to invest in as such information may enable our Company's competitors to anticipate our Company's investment strategy. Since the relevant percentage ratio of each Investment is less than 5% by reference to the most recent fiscal year of our Track Record Period, the current disclosure is adequate for potential investors to form an informed assessment of our Company. We do not expect to use any proceeds from the Listing to fund the Investments.

### **DEALINGS IN SHARES PRIOR TO LISTING**

According to Rule 9.09(b) of the Hong Kong Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the "**Relevant Period**").

We had more than 300 subsidiaries as of December 31, 2020, and our ADSs are widely held, publicly traded and listed on Nasdaq. We considers that it is therefore not in a position to control the investment decisions of our shareholders or the investing public in the US.

Solely based on public filings with the SEC as of the Latest Practicable Date, other than Baidu Holdings Limited, there are no other shareholders that beneficially owned 10% or more of the total issued share capital of us.

For a company whose securities are listed and traded in the U.S., we note that it is a common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the "**Rule 10b5-1 Plan(s)**") to buy or sell our securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

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On the basis of the above, we consider that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (a) directors and chief executive of we and our subsidiaries in respect of their respective dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 1**”);
- (b) our directors and chief executive, and the directors and chief executives of our Significant Subsidiaries, and their close associates, in respect of their respective use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 2**”);
- (c) directors, chief executives and substantial shareholders of our non-Significant Subsidiaries and their close associates (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder and who is not our director or chief executive, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules; and
- (b) persons in Category 1 and Category 2 who (i) use their respective Shares other than as described in “—Dealings in the Shares prior to Listing” or (ii) who are not dealing in our securities according to Rule 10b5-1 Plans set up before the Relevant Period are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules to be granted on the following conditions:

- (a) Categories 1 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in our ADSs after the plans have been entered into;
- (b) where Categories 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
- (c) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of us given that such persons are not in a position with access to information that is considered material to us taken as a whole. Given the large number of our subsidiaries and our vast ADS holder base, we and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;



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- (d) we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware;
- (e) we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (f) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive and the directors and chief executives of our Significant Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of restricted share units, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

### SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Rule 10.04 of the Hong Kong Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his/her/its own name or through nominees if the conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules states that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

The Hong Kong Stock Exchange's Guidance Letter HKEX-GL85-16 provides that the Hong Kong Stock Exchange will consider granting a waiver from Rule 10.04 of the Hong Kong Listing Rules and consent pursuant to paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules, allowing an applicant's existing shareholders or their close associates to participate in an initial public offering, if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

We have a wide and diverse shareholder base. There is a robust level of trade in our securities, with significant daily trading volume resulting in daily changes to our existing shareholders. We are not in a position to prevent any person or entity from acquiring our listed securities prior to the allocation of shares in connection with the Global Offering. It would therefore be unduly burdensome for us to seek the prior consent of the Hong Kong Stock Exchange for each of our existing shareholders or their close associates who subscribe for Offer Shares in the Global Offering. Categories 3 and 4 of the Permitted Persons (as defined in “—Dealings in Shares prior to Listing” above) have no influence over the Global Offering and are not in possession of any inside information in relation to the Listing and are effectively in the same positions as other public investors. Categories 3 and 4 of the Permitted Persons, other public investors and their close associates are referred to as “**Permitted Existing Shareholders**”.

Although Category 3 individuals fall within the strict definition of a core connected person under the Hong Kong Listing Rules, there is no actual or perceived preferential treatment. These individuals (a) have no influence over the Global Offering, (b) will not be offered securities on a preferential basis, (c) will not be given preferential treatment in the allocation of the securities, (d) are

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not in possession of any inside information in relation to the Listing and (e) are effectively in the same positions as other public investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules in respect of the restriction on each Permitted Existing Shareholder, subject to the following conditions:

- (a) other than Baidu, each Permitted Existing Shareholder is interested in less than 5% of our issued share capital immediately before the Listing;
- (b) other than the Categories 3 and 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of us or their close associates;
- (c) the Permitted Existing Shareholders do not have the power to appoint directors of, or any other special rights in, us;
- (d) the Permitted Existing Shareholders do not have influence over the offering process and will be treated the same as other applicants and placees in the Global Offering;
- (e) the Permitted Existing Shareholders will be subject to the same book-building and allocation process as other investors in the Global Offering; and
- (f) we, the Joint Representatives and the Joint Sponsors, to the best of their knowledge and belief (and based on discussions between us and the Joint Representatives and confirmations required to be submitted to the Hong Kong Stock Exchange by us and the Joint Representatives), will or have confirmed to the Hong Kong Stock Exchange in writing that no preferential treatment will be given to the Permitted Existing Shareholders in the allocation process by virtue of their relationship with us.

Allocation to the Permitted Existing Shareholders will not be disclosed in our allotment results announcement (other than to the extent that such Permitted Existing Shareholders or close associates subscribe for Offer Shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of the issued share capital of us after the Global Offering as disclosed in any public filings with the SEC, as it would be unduly burdensome for us to disclose such information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act unless the beneficial ownership of such person (including directors and officers of the company concerned) reaches more than 5% of equity securities registered under Section 12 of the U.S. Exchange Act.

### **PARTICIPATION BY BAIDU IN THE GLOBAL OFFERING**

Rule 10.04 of the Hong Kong Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his/her/its own name or through nominees if the conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled. The applicable requirements of Rule 10.03 of the Hong Kong Listing Rules are that no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities. Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules states that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to be made to existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

Baidu Inc. (“**Baidu**”), an existing shareholder of us, through its wholly-owned subsidiary, Baidu Holdings Limited (“**Baidu Holdings**”), holds 69,159,340 Shares, after accounting for the Share

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Subdivision, (or approximately 11.5% of our total issued share capital) as at February 28, 2021. See “Major Shareholders” in this document for further details. Pursuant to a standstill agreement dated October 26, 2015 (the “**Standstill Agreement**”), we granted a pre-emptive right to Baidu, such that for so long as Baidu and its subsidiaries beneficially own not less than fifty percent (50%) of the ordinary shares issued to Baidu or its subsidiary under the Share Exchange Agreement (as adjusted), Baidu is entitled to a pre-emptive right to purchase up to its pro rata share of any new equity securities which our Company may, from time to time, propose to sell, offer or issue, for the same purchase price and in substantially the same deal timetable as are offered to other participants in such issuance, subject to certain exceptions. The pre-emptive right function as typical anti-dilution rights as, if exercised, it would allow Baidu to subscribe for additional ordinary shares, to the extent permitted by the Hong Kong Listing Rules, in order to reduce the dilutive effect of the Global Offering on Baidu’s aggregate percentage interest in us that is currently held through Baidu Holdings. The Standstill Agreement will survive after Listing.

As of the date of this document, Baidu has not indicated their intention to exercise the pre-emptive right, whether in full or in part, pursuant to the Standstill Agreement. If Baidu elects to exercise its pre-emptive right in full pursuant to the Standstill Agreement, an aggregate of 3,639,970 Shares can be subscribed by them on an assured basis, representing approximately 11.5% of the Offer Shares and approximately 0.6% of the Shares in issue immediately upon completion of the Global Offering, without taking into account (i) the Shares that were issued for bulk issuance of ADSs, (ii) our repurchase of ordinary shares in the form of ADSs, and (iii) any allotment and issuance of ordinary shares upon exercise of the Over-allotment Option. No preferential treatment will be given to Baidu other than the assured allocation of no more than 3,639,970 Shares in connection with the Global Offering in the event that Baidu exercises its pre-emptive right under the Standstill Agreement. There is no guarantee that the pre-emptive right pursuant to the Standstill Agreement will be exercised, whether in full or in part. Prospective investors are therefore advised to exercise caution when dealing in our ordinary shares. This proposed subscription of ordinary shares by Baidu will not have any impact on the Hong Kong Public Offering, taking into account the potential clawback of shares.

Full disclosure of the pre-existing contractual arrangement is made in this document, including the number of ordinary shares that may be subscribed by Baidu pursuant to the pre-emptive right under the Standstill Agreement and the fact that the subscription price per Share will be at the International Offer Price. In addition, the allotment results announcement will contain details of any allocation made to Baidu. On the basis of full disclosure, no investor will be prejudiced or unfairly treated in their investment decision making process.

If the pre-emptive right is exercised:

- (a) the subscription for additional ordinary shares by Baidu will be conducted at the International Offer Price on the same terms and conditions as other investors pursuant to the Global Offering;
- (b) the subscription by Baidu will form part of the International Offering, and will not have an impact on the ordinary shares to be offered to public investors in Hong Kong under the Hong Kong Public Offering;
- (c) the subscription of the additional ordinary shares by Baidu is a pre-existing contractual arrangement between Baidu and us and was agreed on an arm’s length basis, and the subscription is for the purpose of giving effect to such pre-existing arrangement;
- (d) the subscription rights of Baidu are, in substance, similar in nature to the typical anti-dilution rights granted to pre-IPO investors and, in particular, the subscription by Baidu will not result in Baidu’s aggregate percentage interest in us that is held currently through

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Baidu Holdings increasing above its aggregate percentage interest immediately prior to the Global Offering. Such rights are permitted to be exercised at the time of an initial public offering pursuant to paragraph 3.10 of Guidance Letter HKEX-GL43-12; and

- (e) the allotment results announcement will contain details of any allocation made to Baidu,

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules in respect of the allocation of shares to Baidu, subject to the following conditions:

- (a) full disclosure of the pre-existing pre-emptive arrangement between Baidu and us contained in the Standstill Agreement and the number of ordinary shares that may be subscribed by Baidu;
- (b) the proposed subscription of ordinary shares by Baidu will form part of the International Offering and be conducted at the International Offer Price on the same terms and conditions as other investors pursuant to the Global Offering and, in any event, will not result in Baidu increasing our aggregate percentage interest in us that is currently held through Baidu Holdings above our aggregate percentage interest in us immediately prior to the Global Offering;
- (c) we, the Joint Representatives, and the Joint Sponsors will confirm to the Hong Kong Stock Exchange in writing that no preferential treatment, other than the assured allocation, will be given to the Baidu as places in the International Offering; and
- (d) information on the amount of ordinary shares actually allocated to Baidu will be disclosed in the allotment results announcement and the places lists to be submitted to the Hong Kong Stock Exchange before Listing.

### PRINTED PROSPECTUSES

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules, we are required to make available copies of our prospectus in printed form.

The waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Hong Kong Listing Rules relating to paperless listing and environmental, social and governance (“ESG”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “*echo the increasing international focus on climate change and its impact on business.*” Electronic, *in lieu of* printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. It is further noted that the Hong Kong Stock Exchange recently published its Consultation Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display in December 2020.

It is noted that in light of the severity of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed application forms will elevate the risk of contagion of the virus through printed materials. As of the Latest Practicable Date, the government of Hong Kong continued to have in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of

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the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

We propose to adopt a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of our prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. We also anticipate that our share registrar appointed in connection with the Listing and Hong Kong Public Offering will implement enhanced measures to support White Form eIPO Service consistent with recent precedent Chapter 19C listings, including increasing our server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process.

We also expect to publish the formal notice with respect to our Hong Kong Public Offering on the official websites of the Hong Kong Stock Exchange and us and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription and the enhanced support provided by our appointed Hong Kong share registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectuses or application forms will be provided.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules in respect of in respect of availability of a printed prospectus.

### **MONTHLY RETURN**

Rule 13.25B of the Hong Kong Listing Rules requires a listed issuer to publish a monthly return in relation to movements in its equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates. This common waiver is subject to the condition that the issuer can meet one of multiple conditions, including that it has received a relevant partial exemption from Part XV of the SFO.

We have applied simultaneously to the SFC for a relevant partial exemption from strict compliance with Part XV of the SFO. Subject to the SFC granting a relevant partial exemption from strict compliance with Part XV of the SFO, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the continuing obligations under Rule 13.25B of the Hong Kong Listing Rules. We will disclose information about share repurchases, if material, in our quarterly earnings releases and annual reports on Form 20-F which are furnished or filed with the SEC in accordance with applicable U.S. rules and regulations.

### **LAYING 2020 ANNUAL FINANCIAL ACCOUNTS AT AN AGM WITHIN SIX MONTHS OF FISCAL YEAR END**

Rule 13.46(2)(b) of the Hong Kong Listing Rules requires an overseas issuer to lay our annual financial statements before our members at our annual general meeting (“AGM”) within six months of the financial year or the accounting reference period to which the annual financial statements relate.

Note 2 to Rule 13.46(2)(b) of the Hong Kong Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

We were incorporated in the Cayman Islands and is primary listed on Nasdaq, and accordingly, we are an issuer with significant interests outside of Hong Kong. We have obtained a ruling from the SFC that we should not be considered a public company in Hong Kong within the meaning of Section 4.2 of the Introduction on the Takeovers Codes.



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We have filed our annual report for the year ended December 31, 2020 on Form 20-F with the SEC before the Listing and have included in this document the audited financial information for the year ended December 31, 2020 and other financial disclosure. Therefore, upon our Listing, we will have provided our shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules. Accordingly, the laying of annual accounts for the fiscal year ended December 31, 2020 at an AGM shortly after the Listing, as required under Rule 13.46(2)(b) of the Hong Kong Listing Rules, would not provide shareholders and potential investors with additional material information not already contained in this document. Given that all the information required under Rule 13.46(2) shall be included in this document, which will be reviewed by our existing shareholders and potential investors, including our future Hong Kong shareholders, our shareholders would not be unfairly prejudiced by us not laying our annual financial accounts for the fiscal year ended December 31, 2020 at an AGM.

The procedure for convening our first AGM as a company with a dual listing in the U.S. and Hong Kong is burdensome and requires global coordination among various parties, including the principal and Hong Kong share registrars of us, the ADS depository bank and Hong Kong Securities Clearing Company Limited. Since this would be our first time convening a general meeting with both U.S. and Hong Kong shareholders following the Listing, and we would also need to put forth resolutions to amend our Articles, additional time, manpower and costs will have to be budgeted to take into account novel issues arising from us and the various parties involved. We would face great difficulty if it were to convene an AGM within the period specified under Rule 13.46(2)(b) of the Hong Kong Listing Rules.

We note that (a) Appendix 16 does not apply to us pursuant to Rule 19C.11 of the Hong Kong Listing Rule, (b) Appendix 14 does not apply to us pursuant to Rule 19C.11 of the Hong Kong Listing Rule, and (c) it will not be a breach of our constitutional documents, laws and regulations of our place of incorporation or other regulatory requirements as a result of not distributing annual reports and accounts in the manner prescribed by Rule 13.46(2)(a) of the Hong Kong Listing Rule.

The Company has convened an AGM every year since its listing on Nasdaq in December 2003. The Company has held its AGM in the fourth quarter of the year since 2008, and also expects to hold its AGM for 2021 in the fourth quarter of 2021.

Rule 5620(a) of the Nasdaq Stock Market Marketplace Rules (the “**Nasdaq Listing Rules**”) requires that each company listing common stock or voting preferred stock, and their equivalents, shall hold an annual general meeting no later than one year after the end of the company’s fiscal year-end. However, pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules, a foreign private issuer such as our Company may follow its home country practice in lieu of the Rule 5600 Series corporate governance requirements, including the requirements to hold an annual general meeting under Rule 5620(a). The term “home country” is defined under the U.S. securities laws to mean the jurisdiction in which the company is legally organized, incorporated or established. Nonetheless, we have opted to comply with the Nasdaq Rule 5600 Series in this regard.

Our Cayman Islands counsel confirmed that: (a) the Companies Act (as revised) does not require us to follow or comply with the requirements of Rule 5620(a); (b) our voluntary compliance with Rule 5620(a) will not breach any law, public rule or regulation applicable to us currently in force in the Cayman Islands; and (c) our Memorandum and Articles do not prohibit us from, or require us to, comply with the requirements of Rule 5620(a).

On the basis of the above, the Company confirms that, having consulted its legal advisers, not holding an annual general meeting by our Company before June 30, 2021 does not contravene the

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relevant requirements under the Nasdaq Listing Rules, U.S. securities laws, laws of the Cayman Islands or our Articles.

We have applied for, and the Hong Kong Stock Exchange has granted, a one-off waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules with respect to the requirement to lay our annual financial statements for the year ended December 31, 2020 before our members at an AGM within six months after the financial year ended December 31, 2020, subject to the condition that we lay such annual financial statements before our members at an AGM before December 31, 2021.

### SHAREHOLDER PROTECTION REQUIREMENTS

For an overseas issuer seeking a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Hong Kong Listing Rules requires the overseas issuer's primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. We are a Grandfathered Greater China Issuer under Chapter 19C of the Hong Kong Listing Rules.

#### Approval, removal and remuneration of auditors

Rule 19C.07(3) of the Hong Kong Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of the Qualifying Issuer's members or other body that is independent of the issuer's board of directors (the "**Auditors Provision**").

Our Articles do not contain an equivalent Auditors Provision. Pursuant to our Articles, the Board has the power to appoint, remove and remunerate the auditors instead. Although the Board has such a power, it has formally delegated this function to our audit committee (the "**Audit Committee**") since our listing on Nasdaq in December 2003.

The Audit Committee is akin to an independent body of the Board on the basis of the independence requirements set out in applicable U.S. laws and Nasdaq rules. The Audit Committee comprises of three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules and each of whom has confirmed their independence under the Hong Kong Listing Rules with reference to the factors set out in Rule 3.13 of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(3) of the Hong Kong Listing Rules.

#### Annual general meeting

Rule 19C.07(4) of the Hong Kong Listing Rules requires a general meeting to be held each year as the Qualifying Issuer's annual general meeting.

We may, but are not required, to hold an annual general meeting under our Articles. Nevertheless, we have convened an annual general meeting every year since our listing on Nasdaq in December 2003.

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We have applied for and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(4) of the Hong Kong Listing Rules, subject to the conditions that we will put forth a resolution at the next annual general meeting after the Listing to be convened in December 2021 to revise our Articles of Association to comply with Rule 19C.07(4) of the Hong Kong Listing Rules so as to require our Company to hold an annual general meeting each year for so long as our Company remains listed on the Hong Kong Stock Exchange.

Following the Listing, we will continue to hold an annual general meeting each year. In the event that the proposed amendment of the Articles of Association as described above is not approved by Shareholders, we will continue to put forth the resolution at each annual general meetings until such resolution is passed.

### **PARTICULARS OF ANY COMMISSIONS, DISCOUNTS AND BROKERAGES, ALTERATIONS OF CAPITAL AND AUTHORIZED DEBENTURES**

Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraphs 11 and 14 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance require this document to include the particulars of any commissions, discounts, brokerages or other special terms granted within two years immediately preceding the issue of this document in connection with the issue or sale of any capital of any member of the group and the particulars of any alterations of capital within two years immediately preceding the issue of this document.

Paragraph 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires particulars of the authorized debentures of us and our subsidiaries to be disclosed in this document.

We have identified 17 entities as our Significant Subsidiaries. For further details, see “History and corporate structure—History and development—Significant Subsidiaries” in this document. We had more than 300 subsidiaries as of December 31, 2020. We believe that it would be unduly burdensome for us to disclose this information in respect of all of our subsidiaries as we would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors. We are of the view that all material information necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such, the non-disclosure of such information will not prejudice the interests of investors.

The Significant Subsidiaries include all of our subsidiaries that meet the financial threshold for “significant subsidiaries” under Regulation S-X in the U.S. (*i.e.* contributing more than 10% of the Group’s total assets and income) and are representative of our business (including those that hold major assets and intellectual property rights of the Group). None of the non-Significant Subsidiaries is individually material to us in terms of its contribution to our total net income or total assets or total revenues or profits or holds any major assets and intellectual property rights. By way of illustration, the Significant Subsidiaries (together with their controlled entities) accounted for, in aggregate, (i) approximately 87% and 97% of the total assets of the Company’s subsidiaries as at December 31, 2019 and 2020, respectively; (ii) approximately 82% of the net income of the Group for the year ended December 31, 2019, while the Group recorded a net loss for the year ended December 31, 2020 and (iii) approximately 78% and 89% of the total revenues of the Group for the years ended December 31, 2019 and 2020. As such, we have disclosed the particulars of the changes in our share capital and the Significant Subsidiaries in “Statutory and general information—Further information about us” in Appendix IV to this document, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Significant Subsidiaries and our Company are set out in

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“Statutory and general information—Other information—Miscellaneous” in Appendix IV to this document.

We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The above SFC exemption shall be on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the Hong Kong Stock Exchange to us from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

### DISCLOSURE REQUIREMENTS OF OPTIONS

Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules requires us to set out in this document particulars of any capital of any member of the group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires us to set out in this document, among other things, details of the number, description and amount of any of our shares or debentures that any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration given or to be given (if any) and the names and addresses of the persons to whom it was given.

We and our subsidiaries may, from time to time, adopt equity incentive plans. Our Company’s plans include: (a) the 2007 Share Incentive Plan adopted in 2007 and which expired in 2017 (the “**2007 Plan**”), and (b) the Global Share Incentive Plan adopted in June 2017, for the maximum issue of aggregate number of ordinary shares that may be issued pursuant to awards was 100,877,248, after accounting for the Share Subdivision, as of the first business day of 2021, with annual increases on January 1 of each subsequent calendar year by the number of ordinary shares representing 3% of our then total issued and outstanding share capital as of December 31 of the preceding year until the termination of the plan. (the “**Second A&R Global Plan**” together the “**Share Incentive Plans**”).

These Share Incentive Plans are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules and the SFC has granted a partial exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO). The Share Incentive Plans allow us and our subsidiaries to grant awards (including options) to employees, directors and consultants.

Details of the 2007 Plan and the Second A&R Global Plan are disclosed in “Directors and senior management—Compensation—Employees’ Share Incentive Plans” in this document. The disclosure is substantially the same as those in our 20-F filings and comply with applicable U.S. laws and regulations.

Under the 2007 Plan and the Second A&R Global Plan, options to purchase 56,310,616 shares and 860,440 restricted share units were issued and outstanding as of February 28, 2021, after

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## WAIVERS AND EXEMPTIONS

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accounting for the Share Subdivision, respectively representing 9.4% and 0.1% of the Company's issued and outstanding Share as of February 28, 2021. The full exercise of these outstanding options under the Share Incentive Plans would dilute our Shareholders by approximately 8.6%, based on the outstanding Shares in issue as of February 28, 2021.

One of our Significant Subsidiaries also has an option plan, the maximum dilution effect at the subsidiary level is 12% of the equity share capital of the Significant Subsidiary. None of our Company's directors or executive officers hold any outstanding options of such Significant Subsidiary. We are not required to disclose further details about the option plan of such Significant Subsidiaries, or other share incentive plans, in our 20-F filings or pursuant to applicable U.S. laws and regulations.

The current disclosure in this document is substantially the same as those in our 20-F filings and comply with applicable U.S. laws and regulations. Therefore, it does not contain all the content set out under, and is not in strict compliance with the requirements under, paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We believe that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to Hong Kong investors. We are of the view that all material information necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such, the non-disclosure of such information will not prejudice the interests of investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules in relation to the Share Incentive Plans and the Group's other share option schemes to the extent not strictly met by the current disclosure in this document.

We have applied for, and the SFC has granted, an exemption for paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the Share Incentive Plans to the extent not strictly met by the current disclosure in this document. The SFC exemption referred to above shall be granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

### **DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTIONS TO US**

Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require this document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by us, or whose profits or assets make, or will make, a material contribution to the figures in the Accountant's Report or the next published accounts.

We are of the view that all material information necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such, the non-disclosure of such information will not prejudice the interests of investors.



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We believe that it would be unduly burdensome for us to procure this information for the reasons as set out in “—Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures” above. As such, only the particulars in relation to the Significant Subsidiaries are set out in “History and corporate structure—History and development—Significant Subsidiaries” and “Statutory and general information—Further information about us” in Appendix IV to this document, which should be sufficient for potential investors to make an informed assessment of us in their investment decisions.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption referred to above shall be granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

### **DISCLOSURE REQUIREMENTS OF THE REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WHOSE EMOLUMENTS WERE HIGHEST**

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires this document to include information in respect of directors’ emoluments during the three financial years ended December 31, 2018, 2019 and 2020. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires this document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in this document.

Paragraph 33(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires this document to include information with respect to the five individuals whose emoluments were highest in the group for the year if one or more individuals whose emoluments were the highest have not been included under paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules.

The aggregate fees, salaries and benefits paid and accrued to our directors and executive officers as a group are disclosed in “Directors and senior management—Compensation—Compensation of our directors and executive officers” in this document. We confirm that the current disclosure complies with U.S. annual reporting requirements and is in line with our disclosure in our annual reports on Form 20-F.

We believe that additional disclosure required by paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules would be unduly burdensome and the non-disclosure of such information will not prejudice the interests of the investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the Hong Kong Stock Exchange to us from strict compliance with the requirements under paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

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### DISCLOSURE OF INTERESTS INFORMATION

Part XV of the SFO imposes duties of disclosure of interests in shares. Paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules and Practice Note 5 to the Hong Kong Listing Rules require the disclosure of interests information in respect of shareholders' and directors' interests in this document.

The U.S. Exchange Act and the rules and regulations promulgated thereunder require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the substantial shareholder's interests can be found in "Major Shareholders" in this document.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules and Practice Note 5 to the Hong Kong Listing Rules on the following conditions:

- (a) the SFC granting us and our shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (b) our undertaking to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the SEC; and
- (c) our undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between our directors, officers, members of committees and their relationship to any controlling shareholders (if any).

### RULES RELATED TO SPIN-OFF LISTINGS

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 to ("**Practice Note 15**") the Hong Kong Listing Rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Hong Kong Stock Exchange. This exception is limited to circumstances where the spun-off assets or businesses are not to be listed on the Hong Kong Stock Exchange's markets and the approval of shareholders of the parent company ("**Parent**") is not required. Paragraph 3(b) of Practice Note 15 provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the Parent, because the original listing of the Parent will have been approved on the basis of the Parent's portfolio of businesses at the time of listing, and the expectation of investors at that time would have been that the Parent would continue to develop those businesses.

We, from time to time, considers different opportunities to bring value to our shareholders, including spinning off any of our business subsidiaries when they have reached a desirable level of maturity. The exact timing of any potential spin-off would depend on the development of each of the business subsidiaries and market conditions. In some cases, it is possible that a spin-off within three years of the Listing may be appropriate. As of the Latest Practicable Date, we have not identified any target for a potential spin-off and accordingly, there is no material omission of any information relating to any possible spin-off in this document. Any potential spin-offs by us will be subject to compliance with all applicable requirements under the Hong Kong Listing Rules, including Practice Note 15, unless otherwise waived by the Hong Kong Stock Exchange.

No shareholders' approval with respect to a potential spin-off will be required under our Articles under applicable U.S. regulations and Nasdaq rules. Further, as we are a Grandfathered Greater China Issuer and therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant to Rule 19C.11, no shareholders' approval will be required under the Hong Kong Listing Rules as well.

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The effect of a spin-off to our shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be listed on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by Grandfathered Greater China Issuers are allowed within three years after their listing in Hong Kong pursuant to Rule 19C.11 of the Hong Kong Listing Rules, we believe that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a potential spin-off by us.

We and any subsidiary in respect of which a potential spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of Practice Note 15 and the applicable listing eligibility and suitability requirements under the Hong Kong Listing Rules, unless otherwise waived by the Hong Kong Stock Exchange.

Under U.S. securities laws and Nasdaq rules, we are not subject to any restrictions similar to the three-year restriction under paragraph 3(b) of Practice Note 15 in relation to the spin-offs of our businesses, nor is there any requirement for us to disclose any details of our potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan.

Our directors owe fiduciary duties to us, including the duty to act in what they consider in good faith to be in the best interests of us; as such they will only pursue a potential spin-off if there are clear commercial benefits both to us and the entity to be spun off; and the directors will not direct us to conduct any spin-off if they believe it will have an adverse impact on the interests of our shareholders.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver to us from strict compliance with the requirements of paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules to be granted on the following conditions:

- (a) we will not within three years after the Listing spin off any of our businesses until it confirms with the Hong Kong Stock Exchange with basis that the potential spin-off would not render us, excluding the business to be spun off, failing to meet the eligibility and suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the business to be spun off at the time of the Listing, and where more than one business is to be spun off, the assessment will be made on a cumulative basis;
- (b) we will disclose in this document our intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs (see “Risk factors—Risks Relating to Our Shares, Our ADSs, and the Listing—We are exposed to risks associated with the potential spin-off of one or more of our businesses” in this document);
- (c) any potential spin-offs by us will be subject to the requirements of Practice Note 15 (other than paragraph 3(b) thereof), including that each of us and the business to be spun off will satisfy the applicable listing eligibility and suitability requirements on a standalone basis; and
- (d) disclosure of this waiver in this document.

### TIMING REQUIREMENT OF LIQUIDITY AND INDEBTEDNESS DISCLOSURE

Paragraph 32 of Part A of Appendix 1 to the Hong Kong Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant’s indebtedness as at a specified most recent practicable date (the “**Most Recent Practicable Date**”), and

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a commentary on our liquidity, financial resources and capital structure (together, the “**Liquidity and Indebtedness Disclosure**”).

In accordance with Hong Kong Stock Exchange’s Guidance Letter HKEX-GL37-12 (“**GL37-12**”), the Hong Kong Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity and Indebtedness Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before: (a) the date of the application proof of this document and (b) the final date of this document.

As this document is expected to be published in April 2021, we would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than February 2021 pursuant to GL37-12. This document includes an accountant’s report incorporating the audited consolidated financial information of the Group for the three years ended December 31, 2020. We have also included liquidity and indebtedness disclosures as at January 31, 2021.

Under applicable U.S. regulations and Nasdaq rules, we are required to announce quarterly results, and in light of such experiences, it would be unduly burdensome for us to prepare similar liquidity and indebtedness disclosure on a consolidated basis dated no more than two calendar months before the final date of this document. We had, as of December 31, 2020, more than 300 subsidiaries located in multiple jurisdictions, including China, the UK and across Europe and southeast Asia and a large number of third-party lenders, each of which results in additional time required to prepare liquidity and indebtedness disclosure. It is also noted that in light of the severity of the ongoing COVID-19 pandemic, there remain restrictions of varying degrees in force in China, the UK and other jurisdictions to combat the COVID-19 pandemic, which further delay work to prepare liquidity and indebtedness disclosure.

In any event, if there are any material changes to the December 31, 2020 or the January 31, 2021 disclosures, we would be required to make an announcement pursuant to U.S. regulations and Nasdaq rules and disclose relevant material facts in this document pursuant to the Hong Kong Listing Rules.

In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37-12 would not give additional meaningful information to investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the timing requirement for the Liquidity and Indebtedness Disclosure in this document under GL37-12, such that the reported date of indebtedness and liquidity information in this document will not exceed the requirement under GL37-12 by one calendar month (i.e. the time gap between the reported date of our indebtedness and liquidity information and the date of this document would be no more than three calendar months).

### **DISCLOSURE OF OFFER PRICE**

Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules provides that the issue price or offer price of each security must be disclosed in the prospectus.

Our ADSs have been listed and traded on Nasdaq since 2003. The Hong Kong Offer Price will be determined by reference to, among other factors, the closing price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date. We have no control over the market price of our ADSs traded on Nasdaq.

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## WAIVERS AND EXEMPTIONS

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As our ADSs will continue to be traded on Nasdaq, setting a fixed price or a price range with a low end of International Offer Price or Hong Kong Offer Price may adversely affect the market price of the ADSs and the Hong Kong Offer Shares.

For the information of the potential investors, we will disclose the historical prices of our ADSs and trading volume on Nasdaq for the period from January 1, 2020 up to the Latest Practicable Date in “Structure of the Global Offering—Pricing and Allocation—Determining the Offer Price” of this document.

A maximum Hong Kong Offer Price will be disclosed in this document and the Green Application Form. This alternative disclosure approach would not prejudice the interests of the investing public in Hong Kong.

Given in no circumstances will the Hong Kong Offer Price be greater than the maximum International Offer Price as stated in this document and the Green Application Form, the disclosure of the maximum Hong Kong Offer Price in this document shall constitute sufficient disclosure of the “amount payable” on application and allotment on the Offer Shares and hence, shall be in compliance with the disclosure requirement under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

On the basis of the above, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 15(2)(c) of Part A of Appendix I to the Hong Kong Listing Rules so that we will only disclose the maximum Hong Kong Offer Price for the Hong Kong Offer Shares in this document.

### CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules (“**Paragraph 4.2**”) requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 4.2 in relation to the Global Offering the “**Clawback Waiver**”), provided the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 7.0% of the Global Offering, in the event of over-subscription, the Joint Representatives shall apply clawback mechanism as set out below following the closing of the application lists with reference to the final offering size of the Global Offering (assuming the Over-allotment Option is not exercised) based on the offer price determined on the Price Determination Date.

Based on the current market conditions, the Joint Representatives shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 40 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 3,479,950 Shares, representing approximately 11.0% of the Offer Shares initially available under the Global Offering;



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- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 40 times or more but less than 60 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 4,429,000 Shares, representing approximately 14.0% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 8,858,000 Shares, representing approximately 28.0% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In addition, the Joint Representatives may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

See “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation” for further details.

### **NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE**

Section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code applies to “public companies in Hong Kong.” The note to Section 4.2 of the Introduction to the Takeovers Code provides that a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under section 4.2 of the Introduction to the Takeovers Code. Where the bulk of trading in the shares of a Grandfathered Greater China Issuer migrates to Hong Kong such that it would be treated as having a dual-primary listing in Hong Kong pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Code will apply to it.

We have applied for, and the SFC has granted, a ruling that our Company is not a “public company in Hong Kong” for the purposes of the Takeovers Codes.

### **DISCLOSURE OF INTERESTS UNDER PART XV OF THE SFO**

Part XV of the SFO imposes duties of disclosure of interests in the securities of companies whose securities are listed on the Hong Kong Stock Exchange on the relevant company, its substantial shareholders and its directors/chief executives. Under the U.S. Exchange Act, which we are subject to, any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the SEC and which includes the power to direct the voting or the disposition of the securities, of more than 5% of a class of equity

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## WAIVERS AND EXEMPTIONS

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securities registered under Section 12 of the U.S. Exchange Act must file beneficial owner reports with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Therefore, compliance with Part XV of the SFO would subject our corporate insiders to a second level of reporting, which would be unduly burdensome to them, would result in additional costs and would not be meaningful, since the statutory disclosure of interest obligations under the U.S. Exchange Act that apply to us and our corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

We have applied for, and the SFC has granted, an exemption from Part XV of the SFO (other than Divisions 5, 11 and 12) on the following conditions:

- (a) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Hong Kong Listing Rules;
- (b) all the disclosures of interest filed in the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and
- (c) the Company will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of the Company's worldwide share turnover that takes place on the Hong Kong Stock Exchange.

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## **INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY STATEMENT**

This document, for which our directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving information with regard to our Group. Our directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this document misleading.

### **THE HONG KONG PUBLIC OFFERING AND THIS DOCUMENT**

This document is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this document sets out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this document and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this document, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the pricing of the Hong Kong Offer Shares. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

Neither the delivery of this document nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this document or imply that the information contained in this document is correct as of any date subsequent to the date of this document.

### **PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES**

The procedures for applying for the Hong Kong Offer Shares are set out in “How to apply for Hong Kong Offer Shares”.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”.

### **OVER-ALLOTMENT OPTION AND STABILIZATION**

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in “Structure of the Global Offering”.

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## **INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING**

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### **RESTRICTIONS ON OFFERS AND SALES OF SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers of the Offer Shares described in this document.

No action has been taken to permit a public offering of the Offer Shares (except for a registration of Shares on a registration statement on Form F-3 to be filed with the SEC) or the general distribution of this document in any jurisdiction other than in Hong Kong or the United States pursuant to an applicable exemption from the registration requirements under the U.S. federal securities laws. Accordingly, this document may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

### **COMMENCEMENT OF DEALINGS IN OUR SHARES**

We expect that dealings in our Shares on the Hong Kong Stock Exchange will commence on April 19, 2021. The Shares will be traded in board lots of 50 Shares each. The stock code of our Shares will be 9961.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Shares or ADSs or exercising any rights attaching to our Shares. We emphasize that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our Shares or ADSs or your exercise of any rights attaching to our Shares.

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## INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

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### REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our Principal Share Registrar in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar in Hong Kong.

Dealings in our Shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of our Shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

To facilitate ADS-Share interchanges and trading between Nasdaq and the Hong Kong Stock Exchange, we also intend to move a portion of our issued Shares from our Cayman share register to our Hong Kong share register. It is unclear whether, as a matter of Hong Kong law, the trading of ADSs or exchanges between ADSs and Shares constitute sales or purchases of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. See “Risk Factors — Risks relating to the Global Offering — There is uncertainty as to whether Hong Kong stamp duty will apply to the trading of our ADSs or deposits of our Shares in, or withdrawals of our Shares from, the ADS facility following our initial public offering in Hong Kong and listing of our Shares on the Hong Kong Stock Exchange”.

### EXCHANGE RATE CONVERSION

Our reporting currency is the Renminbi. This document contains translations of financial data in Renminbi and Hong Kong dollar amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations of financial data in Renminbi and Hong Kong dollars into U.S. dollars and from U.S. dollars into Renminbi in this document were made at a rate of RMB6.5250 to US\$1.00 and HK\$7.7534 to US\$1.00.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

### ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

### LANGUAGE

If there is any inconsistency between the English version of this document and its Chinese translation, the English version shall prevail, except that the English names of PRC entities, PRC laws or regulations, and PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes, and if there is any inconsistency, the Chinese names shall prevail.

### OTHER

Unless otherwise specified, and save as disclosed in this document, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised. Unless otherwise expressly stated or the context otherwise requires, and save as disclosed in this document, all data in this document is as of the date of this document.



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## INFORMATION ABOUT THE LISTING

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### THE LISTING

We have applied for listing of our Shares on the Main Board under Chapter 19C (Secondary Listings of Qualifying Issuers) of the Hong Kong Listing Rules.

We have a track record of good regulatory compliance of at least two full financial years on Nasdaq as required by Rule 19C.04 of the Hong Kong Listing Rules for the purposes of our Listing.

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue (including on conversion of convertible notes) and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time.

Our ADSs are currently listed and traded on Nasdaq. Save as disclosed in this document, other than the foregoing, no part of our Shares or loan capital is listed on or traded on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong share register in order to enable them to be traded on the Hong Kong Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by or on behalf of the Hong Kong Stock Exchange.

### REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

Our register of members holding unlisted Shares will be maintained by our Principal Share Registrar in the Cayman Islands, and our register of members holding Shares listed on the Hong Kong Stock Exchange and our Shares represented by the ADSs will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

### OWNERSHIP OF ADSS

An owner of ADSs may hold his or her ADSs either by means of an ADR (evidencing certificated ADSs) registered in his or her name, through a brokerage or safekeeping account, or through an account established by the depositary bank in his or her name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank, commonly referred to as the “direct registration system,” or DRS. The direct registration system reflects the registration of uncertificated ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is confirmed by periodic statements sent by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and DTC. If an owner of ADSs decides to hold his or her ADSs through his or her brokerage or safekeeping account, he or she must rely on the procedures of his or her broker or bank to assert his or her rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. All ADSs held through DTC will be registered in the name of a nominee of DTC.

### DEALINGS AND SETTLEMENT OF SHARES IN HONG KONG

Our Shares will trade on the Hong Kong Stock Exchange in board lots of 50 Shares. Dealings in our Shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

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## INFORMATION ABOUT THE LISTING

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The transaction costs of dealings in our Shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong share registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited their Shares in their stock account or in their designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to their broker or custodian before the settlement date.

### EXCHANGES BETWEEN SHARES TRADING IN HONG KONG AND ADSs

In connection with the initial public offering of Shares in Hong Kong, or the Hong Kong Public Offering, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited.

All Shares offered in the Global Offering will be registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Shares registered on the Hong Kong share register will be able to exchange these shares into ADSs, and vice versa.

### The ADSs

ADSs representing our Shares are traded on Nasdaq. Dealings in ADSs on Nasdaq are conducted in U.S. Dollars.

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## INFORMATION ABOUT THE LISTING

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ADSs may be held either:

- directly: (i) by having an American Depositary Receipt (“**ADR**”), which is a certificate evidencing a specific number of ADSs registered in the holder’s name; or (ii) by having uncertified ADSs registered in the holder’s name; or
- indirectly, by holding a security entitlement in ADSs through a broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC.

The depository for the ADSs is The Bank of New York Mellon, whose office is located at 240 Greenwich Street, New York, New York 10286, United States.

### **Depositing Shares trading in Hong Kong for delivery of ADSs**

An investor who holds Shares registered in Hong Kong and who intends to exchange them for ADSs to trade on Nasdaq must deposit or have his or her broker deposit the Shares with the depository’s Hong Kong custodian, The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong, or the custodian, in exchange for ADSs.

A deposit of Shares in exchange for ADSs involves the following procedures:

- If Shares have been deposited with CCASS, the investor must transfer Shares to the depository’s account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed ADS delivery form to the custodian via his or her broker.
- If Shares are held outside CCASS, the investor must arrange for the deposit of his or her Shares into CCASS and then proceed as described above.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp duties or stock transfer taxes or fees, if applicable, the depository will register the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs as instructed in the ADS delivery form.

For Shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

### **Surrender of ADSs for Delivery of Shares trading in Hong Kong**

An investor who holds ADSs and wishes to receive Shares that trade on the Hong Kong Stock Exchange must surrender the ADSs the investor holds and withdraw Shares from the ADS program and cause his or her broker or other financial institution to trade such Shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for surrender of the ADSs, and transfer of the underlying Shares from the depository’s account with the custodian within the CCASS system to the investor’s Hong Kong stock account.

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## INFORMATION ABOUT THE LISTING

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For investors holding ADSs directly, the following steps must be taken:

- To withdraw Shares from the ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depository (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depository.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp duties or stock transfer taxes or fees, if applicable, the depository will instruct the custodian to deliver Shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Shares outside CCASS, he or she must so indicate in the instruction delivered to the depository.

For Shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS cancelations.

### **Depository requirements**

Before the depository delivers ADSs or permits withdrawal of Shares, the depository may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

The depository may refuse to deliver, transfer, or register issuances, transfers and cancelations of ADSs generally when the transfer books of the depository or our Hong Kong share registrar are closed or at any time if the depository or we determine it advisable to do so.

All costs attributable to the transfer of Shares to effect a withdrawal from or deposit of Shares into the ADS program will be borne by the investor requesting the transfer or deposit. In particular, holders of Shares and ADSs should note that the Hong Kong share registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Shares and ADSs must pay up to US\$5.00 per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancelation of ADSs, as the case may be, in connection with the deposit of Shares into, or withdrawal of Shares from, the ADS facility.

### **SUMMARY OF EXEMPTIONS AS A FOREIGN PRIVATE ISSUER IN THE U.S.**

As required by Rule 19C.14 of the Hong Kong Listing Rules, set out below is a summary of the exemptions from obligations under U.S. securities laws and Nasdaq rules that we enjoy as a foreign private issuer in the U.S.

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## INFORMATION ABOUT THE LISTING

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### **Exemptions from Nasdaq rules**

Foreign private issuers are exempted from certain corporate governance requirements of Nasdaq. Foreign private issuers are permitted to follow home country practice, in lieu of such corporate governance requirements, as long as they disclose any significant ways in which their corporate governance practices differ from those required under Nasdaq listing standards and explain the basis for the conclusion that the exemption is applicable. We are currently entitled to rely upon the exemption from the requirement that a majority of our board of directors be independent directors, and the requirements that shareholder approval be required for all equity-compensation plans and material revisions thereto, with limited exceptions. Other than described above, there is no significant difference between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq Rules.

### **Exemptions from SEC rules and regulations under U.S. federal securities laws**

Foreign private issuers are exempted from Regulation FD under the U.S. Exchange Act. Regulation FD provides that when a domestic U.S. issuer, or someone acting on its behalf, discloses material nonpublic information to certain persons (including securities analysts, other securities market professionals, and holders of the issuer's securities who could reasonably be expected to trade on the basis of the information), it must make simultaneous public disclosure of that information (in the case of intentional disclosure) or prompt public disclosure (in the case of non-intentional disclosure). However, the SEC expects foreign private issuers to conduct themselves in accordance with the basic principles underlying Regulation FD.

Section 16 of the U.S. Exchange Act does not apply to foreign private issuers. Therefore, directors, executive officers and 10% beneficial owners of foreign private issuers are not required to file Forms 3, 4 and 5 with the SEC, and are not required to disgorge to the issuer any profits realized from any non-exempt purchase and sale, or non-exempt sale and purchase, of the issuer's equity securities or security-based swap agreements within a period of less than six months.

Foreign private issuers are exempt from the SEC's rules prescribing the furnishing and content of proxy statements under the U.S. Exchange Act, which specify the procedures and required documentation for soliciting shareholder votes. Accordingly, foreign private issuers are not required to disclose certain information in their annual proxy statements, such as whether the work of any compensation consultant has played any role in determining or recommending the form or amount of executive and director compensation has raised a conflict of interest, and, if so, the nature of the conflict and how it is being addressed.

Foreign private issuers are also not required under the U.S. Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as domestic U.S. issuers with securities registered under the U.S. Exchange Act. As a result, our shareholders may be afforded less protection than they would under the U.S. Exchange Act rules applicable to domestic U.S. issuers. Unlike domestic U.S. issuers, foreign private issuers are not required to file quarterly reports (including quarterly financial information) on Form 10-Q. They also are not required to use Form 8-K for current reports, and instead furnish (not file) current reports on Form 6-K with the SEC.

Annual reports on Form 10-K by domestic U.S. issuers are due within 60, 75, or 90 days after the end of the issuer's fiscal year, depending on whether the company is a "large accelerated filer," a "accelerated filer," or a "non-accelerated filer". By contrast, the deadline for foreign private issuers to file annual reports on Form 20-F is four months after the end of their fiscal year.



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## INFORMATION ABOUT THE LISTING

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### OUR ARTICLES OF ASSOCIATION

We are an exempted company incorporated in the Cayman Islands with limited liability and our affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands.

The laws of Hong Kong differ in certain respects from the Cayman Companies Act, and our Articles of Association are specific to us and include certain provisions that may be different from common practices in Hong Kong. For example:

- Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that an issuer such as us seeking a listing under Chapter 19C has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules for standards of shareholder protection if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07.
- Rule 19C.07(3) of the Hong Kong Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of a Qualifying Issuer's (as defined in the Hong Kong Listing Rules) members or other body that is independent of the issuer's board of directors, but our Articles of Association do not contain this or a similar provision.
- Rule 19C.07(4) of the Hong Kong Listing Rules requires a Qualifying Issuer to hold a general meeting each year as its annual general meeting, but holding a general meeting each year is not specifically required under our Articles of Association. We undertake to put forth a resolution at the Next AGM to revise the Articles so that we are required to convene an AGM each year after the Listing and for so long as our Company remains listed on the Hong Kong Stock Exchange.
- Rule 19C.07(5) requires a Qualifying Issuer to give its members reasonable written notice of its general meetings, and our Articles of Association provide that any general meetings may be called by not less than 7 days' notice. While we are of the view that such notice period is reasonable and this notice period has been adopted since our listing on Nasdaq in 2003, we undertake to provide at least 14 days' notice for any general meetings to be held by our Company after the Listing and to put forth a resolution at the Next AGM to revise the Articles so that we are required to provide at least 14 days' notice for any general meetings.
- Rule 19C.07(6) means that a member must abstain from voting to approve a matter in circumstances required by the Hong Kong Listing Rules. We undertake to put forth a resolution at the Next AGM to revise the Articles so that a member's right to vote is subject to the Hong Kong Listing Rules (e.g. any votes cast by or on behalf of the member with material interest in a transaction or arrangement being voted upon shall not be counted towards the resolution relating to such transaction or arrangement). Pending this amendment to our Articles of Association, we will stipulate in our general meeting notice and proxy statement (including for all general meetings prior to the Next AGM) that a member with material interest in a transaction or arrangement will be required to abstain from voting on resolutions relating to such transaction or arrangement, and any votes in contravention of such abstention shall not be counted.

Our executive directors and officers, Baidu Holdings Limited, and MIH Internet Holdings B.V. (an affiliate of Naspers Limited) will give, before the Listing, an irrevocable undertaking to our Company that they will use their voting rights to vote in favor of the Proposed Resolutions. Our Company and our board undertake (i) that we will convene an AGM each year with at least 14 days of notice after the Listing and (ii) for

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## INFORMATION ABOUT THE LISTING

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so long as the Company remains listed on the Hong Kong Stock Exchange, in the event that the Proposed Resolutions are not approved by our Shareholders, to put forth the Proposed Resolutions (to the extent not yet passed) at each AGM until all of the Proposed Resolutions are passed. See “Waivers and Exemptions” and “Summary of our constitution and Cayman Islands company law” in Appendix III for further details.

On November 23, 2007, our board of directors declared a dividend of one ordinary share purchase right (a “**Right**”), for each of our ordinary shares outstanding at the close of business on December 3, 2007, pursuant to a rights agreement. As long as the Rights are attached to the ordinary shares, we will issue one Right (subject to adjustment) with each new ordinary share so that all such ordinary shares will have attached Rights. When exercisable, each Right will entitle the registered holder, except the acquirer that triggers the exercise of Rights by crossing certain thresholds of share ownership percentage, to purchase from us US\$700 worth of ordinary shares at significantly discounted market price, subject to adjustment. Subsequently, extended the term of our rights agreement for another ten years and the Rights will expire on August 6, 2024, subject to the right of our board of directors to extend the rights agreement for another ten years prior to its expiration. See “Share capital—Defense Mechanism Against Hostile Takeovers” for details.

### COMPLIANCE ADVISOR

We have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance advisor, or the Compliance Advisor, upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of our Shares or any other matters in accordance with Rule 13.10 of the Hong Kong Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full fiscal year commencing after the Listing Date.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	ID issuing country / territory
James Jianzhang Liang . . . . .	Flat A, 49/F, South Tower 5, 38 Bel-Air Ave Residence Bel-Air, Island South, Hong Kong	Hong Kong
Min Fan . . . . .	Flat A, 6/F, Tower 1, 23 Fat Kwong Street, Ultima Ho Man Tin, Kowloon, Hong Kong	Hong Kong
Jane Jie Sun . . . . .	72 Bayshore Road, #24-13, Singapore 469988	Singapore
Robin Yanhong Li . . . . .	No. 901, Unit 1, Building 1, Area 2 Shanghe Village, Haidian District, Beijing, China	China
Dou Shen . . . . .	Damazhuangcun, Xinzhuangyingxiang Hanshan District, Handan, Hebei Province, China	China
Neil Nanpeng Shen . . . . .	Unit 4B, Magazine Court, 5-7 Magazine Gap Rd, Mid-Levels, Hong Kong	Hong Kong
Qi Ji . . . . .	94 Cove Drive, Singapore 098126	Singapore
Gabriel Li . . . . .	Flat A, 43/F, South Tower 8, 38 Bel-Air Ave Residence Bel-Air, Island South, Hong Kong	Hong Kong
JP Gan . . . . .	Apartment B, Floor 38, Tower 9 28 Siu Sai Wan Road, Chai Wan, Hong Kong	United States

See “Directors and senior management” for further details.

### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Joint Sponsors</b>	<p><b>J.P. Morgan Securities (Far East) Limited</b> 28/F, Chater House 8 Connaught Road Central, Central, Hong Kong</p> <p><b>China International Capital Corporation Hong Kong Securities Limited</b> 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong</p> <p><b>Goldman Sachs (Asia) L.L.C.</b> 68/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong</p>
<b>Joint Representatives</b>	<p><b>J.P. Morgan Securities (Asia Pacific) Limited</b> 28/F, Chater House 8 Connaught Road Central, Central, Hong Kong</p> <p><b>China International Capital Corporation Hong Kong Securities Limited</b> 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong</p> <p><b>Goldman Sachs (Asia) L.L.C.</b> 68/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong</p>
<b>Joint Global Coordinators</b>	<p><b>J.P. Morgan Securities (Asia Pacific) Limited</b> 28/F, Chater House 8 Connaught Road Central, Central, Hong Kong</p> <p><b>China International Capital Corporation Hong Kong Securities Limited</b> 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong</p>

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Goldman Sachs (Asia) L.L.C.**

68/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong

**The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road Central, Hong Kong

**CMB International Capital Limited**

45/F Champion Tower, 3 Garden Road, Central, Hong Kong

**Joint Bookrunners and  
Joint Lead Managers**

**J.P. Morgan Securities (Asia Pacific) Limited**

*(in relation to the Hong Kong Public Offering only)*

28/F, Chater House

8 Connaught Road Central, Central, Hong Kong

**J.P. Morgan Securities plc**

*(in relation to the International Offering only)*

25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom

**J.P. Morgan Securities LLC**

*(in relation to the International Offering only)*

383 Madison Avenue, New York NY 10179

**China International Capital Corporation**

**Hong Kong Securities Limited**

29th Floor, One International Finance Centre,

1 Harbour View Street, Central, Hong Kong

**Goldman Sachs (Asia) L.L.C.**

68/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong

**The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road Central, Hong Kong

**CMB International Capital Limited**

45/F Champion Tower, 3 Garden Road, Central, Hong Kong

**ICBC International Capital Limited**

*(Joint Bookrunner only)*

37/F ICBC Tower, 3 Garden Road, Hong Kong

**ICBC International Securities Limited**

*(Joint Lead Manager only)*

37/F ICBC Tower, 3 Garden Road, Hong Kong

**BOCI Asia Limited**

26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong

**CCB International Capital Limited**

12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**ABCI Capital Limited**

*(Joint Bookrunner only)*

11/F, Agricultural Bank of China Tower  
50 Connaught Road Central, Hong Kong

**ABCI Securities Company Limited**

*(Joint Lead Manager only)*

10/F, Agricultural Bank of China Tower  
50 Connaught Road Central, Hong Kong

**DBS Asia Capital Limited**

73rd Floor, The Center, 99 Queen's Road Central, Hong Kong

**Mizuho Securities Asia Limited**

14-15/F, K11 Atelier, 18 Salisbury Road  
Tsim Sha Tsui, Kowloon, Hong Kong

**Haitong International Securities Company Limited**

22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

**Nomura International (Hong Kong) Limited**

30/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

**Legal advisors to our  
Company**

*As to Hong Kong and U.S. laws*

**Skadden, Arps, Slate, Meagher & Flom and affiliates**

42/F, Edinburgh Tower, The Landmark  
15 Queen's Road Central, Central, Hong Kong

*As to PRC law*

**Commerce & Finance Law Offices**

6/F NCI Tower, A12 Jianguomenwai Avenue  
Chaoyang District, Beijing, PRC

*As to Cayman Islands law*

**Maples and Calder (Hong Kong) LLP**

26th Floor, Central Plaza, 18 Harbor Road, Wanchai, Hong Kong

**Legal advisors to the  
Joint Sponsors and the  
Underwriters**

*As to Hong Kong and U.S. laws*

**Latham & Watkins LLP**

18/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong

*As to PRC law*

**Jingtian & Gongcheng**

34F, Tower 3, China Central Place  
77 Jianguo Road, Chaoyang District, Beijing, China

**Auditor and reporting  
accountant**

*Certified Public Accountants and Registered Public Interest Entity Auditor*

**PricewaterhouseCoopers**

22/F, Prince's Building, Central, Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Industry consultant**      **ANALYSYS LTD** (北京易觀智庫網絡科技有限公司)  
3/F, Block C, B12, Universal Business Park, 10 Jiuxianqiao Road  
Chaoyang District, Beijing

**Receiving banks**      **Bank of China (Hong Kong) Limited**  
1 Garden Road, Hong Kong

**Standard Chartered Bank (Hong Kong) Limited**  
18/F Standard Chartered Tower, 388 Kwun Tong Road  
Kwun Tong, Hong Kong

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## CORPORATE INFORMATION

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<b>Headquarters</b>	968 Jinzhong Road, Changning District, Shanghai, 200335
<b>Address in Hong Kong</b>	Unit 3003, 30/F, Paul Y. Center, 51 Hung To Road Kwun Tong, Kowloon, Hong Kong
<b>Registered office in the Cayman Islands</b>	PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands
<b>Company website</b>	investors.trip.com (the information contained on this website does not form part of this document)
<b>Authorized representative</b>	Michelle Mingxuan Qi 968 Jinzhong Road, Changning District, Shanghai, 200335
<b>Audit committee</b>	JP Gan Gabriel Li Neil Nanpeng Shen
<b>Compensation committee</b>	JP Gan Qi Ji Neil Nanpeng Shen
<b>Cayman Islands principal share registrar</b>	<b>Maples Fund Services (Cayman) Limited</b> P.O. Box 1093, Boundary Hall, Cricket Square Grand Cayman, KY1-1102, Cayman Islands
<b>Hong Kong Share Registrar</b>	<b>Computershare Hong Kong Investor Services Limited</b> Shops 1712-1716, 17th Floor, Hopewell Center 183 Queen's Road East, Wan Chai, Hong Kong
<b>Compliance adviser</b>	<b>China International Capital Corporation</b> <b>Hong Kong Securities Limited</b> 29/F One International Finance Centre 1 Harbour View Street, Central, Hong Kong
<b>Principal bank</b>	<b>The Hongkong and Shanghai Banking Corporation Limited</b> 1 Queen's Road Central, Hong Kong  <b>Standard Chartered Bank (Hong Kong) Limited</b> 4-4A Des Voeux Road Central, Hong Kong

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## INDUSTRY OVERVIEW

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*Certain information and statistics presented in this section and elsewhere in this document were derived from official government publications and other publicly available sources as well as from the *Analysys Report*, the market research report prepared by *Analysys*, an independent industry consultant that was commissioned by us. We believe that the sources of the information in this section and elsewhere in this document are appropriate sources for such information and reasonable care has been taken in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us or any other parties involved in the *Global Offering*, except *Analysys*, or any of our or their respective directors, officers, or representatives, and no representation is given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, see “*Risk Factors—Risks Relating to Our Business and Industry*.”*

### SOURCES OF INFORMATION

We commissioned *Analysys*, an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed study of the travel markets in China and globally.

During the preparation of the *Analysys Report*, *Analysys* performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the travel markets in China and globally. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports, and available data based on *Analysys*'s own research database. In addition, *Analysys* also conducted two surveys: (i) one conducted in November 2019 with a total of 510 valid samples to study travel product demand, and (ii) the other conducted in May 2020 with a total of 500 valid samples to study the varying travel demand during the COVID-19 pandemic.

The *Analysys Report* was compiled and the expected growth in the global and China's travel markets was estimated based on the following assumptions: (i) the political, economic, and social environment in China remains stable, which ensures the continuous development of China's travel market, (ii) the PRC government continues to support the development of China's travel market, and (iii) the COVID-19 epidemic has caused a decrease in demand in the global and China travel markets, but as vaccine roll out globally, the pandemic is expected to be contained and travel demand will increase, therefore the travel markets in China and globally will resume growth and are expected to recover to the pre-COVID level in 2021 and 2022, respectively. Specifically, since late February 2021, China has been generally clear of regions identified with medium or higher risk of COVID-19 infection, boosting confidence in domestic travel. The domestic air ticket reservations for the upcoming Ching Ming Festival in 2021 are expected to be comparable with the 2019 level, and the hotel reservations for the Labor Day Holiday in 2021 are expected to increase from the 2019 level. In light of the well contained pandemic and strong demand for travel that had been suppressed temporarily, the China travel market is estimated to recover to the pre-COVID level in 2021, according to the *Analysys Report*. In addition, vaccines have been rolling out globally and authorities are making effective efforts to contain the COVID-19 pandemic and facilitate safe global travel. For example, countries such as Iceland started to provide immunity passports for citizens who have received the COVID-19 vaccines. As a result, the global travel market is expecting a solid resurgence to the pre-COVID level in 2022, according to the *Analysys Report*.

## INDUSTRY OVERVIEW

Analysys is an independent consulting firm, which was founded in Beijing, China in 2000. It offers big data analytics and consulting services. We have agreed to pay a fee of RMB200,000 to Analysys in connection with the preparation of the Analysys Report. We have extracted certain information from the Analysys Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries where we operate.

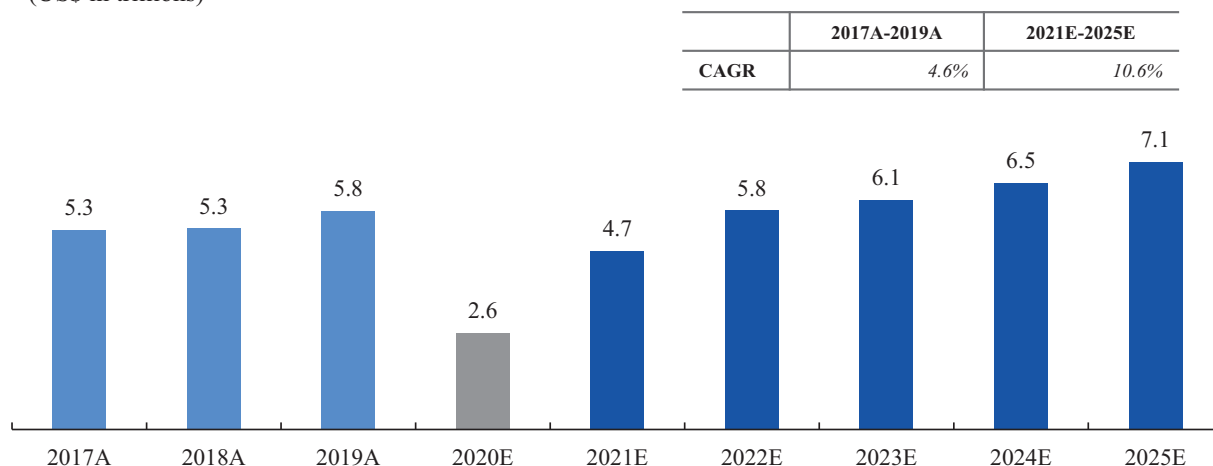
### THE MASSIVE TRAVEL MARKET OPPORTUNITY

Travel is a lifestyle and an indispensable dimension of life and has been fast evolving with constant enhancement in technology. Especially in recent years, technology has been transforming the industry through innovation that brings enjoyable travel experience to travelers with diverse needs.

The global demand for travel is massive. In 2019, travelers took 12.3 billion trips, and the global travel market size was US\$5.8 trillion, according to the Analysys Report. After a decrease in 2020 due to the COVID-19 pandemic, the global travel market is expected to resume growth in 2021 and reach US\$7.1 trillion by 2025, mainly driven by continuing rollout of COVID-19 vaccines, increasing consumer interest in travel, and rising consumer spending power, especially from emerging markets such as Asia, according to the Analysys Report.

#### Global Travel Market, 2017-2025E

(US\$ in trillions)



Source: Analysys Report

Note: The market size was determined and calculated based on (i) the primary and secondary research Analysys performed on the industry trends of the global and China travel markets, (ii) with references to the formal releases by World Tourism Cities Federation (WTCF) and (iii) taking into account the outlook of global travel market for 2021-2024 by World Tourism Organization (UNWTO).

According to the Analysys Report, China has become the largest travel market globally in terms of the total number of domestic and inbound trips, which was 6.2 billion in 2019 and is expected to reach 7.5 billion in 2025, despite a drop in 2020 due to the COVID-19 pandemic. During 2019, the market size of domestic and inbound travel in China was RMB6.6 trillion (US\$1.0 trillion), accounting for 18% of the global travel market.

Despite its current massive size, China’s travel market still has great potential for further growth. China’s travel market is expected to quickly recover from the impact of the COVID-19 pandemic in 2020 and reach RMB10.1 trillion (US\$1.6 trillion) by 2025, representing a CAGR of 11% from 2021, according to the Analysys Report. Chinese travelers’ average spending per trip was US\$158 in 2019, significantly lower than that of U.S. travelers at US\$873. In the foreseeable future,

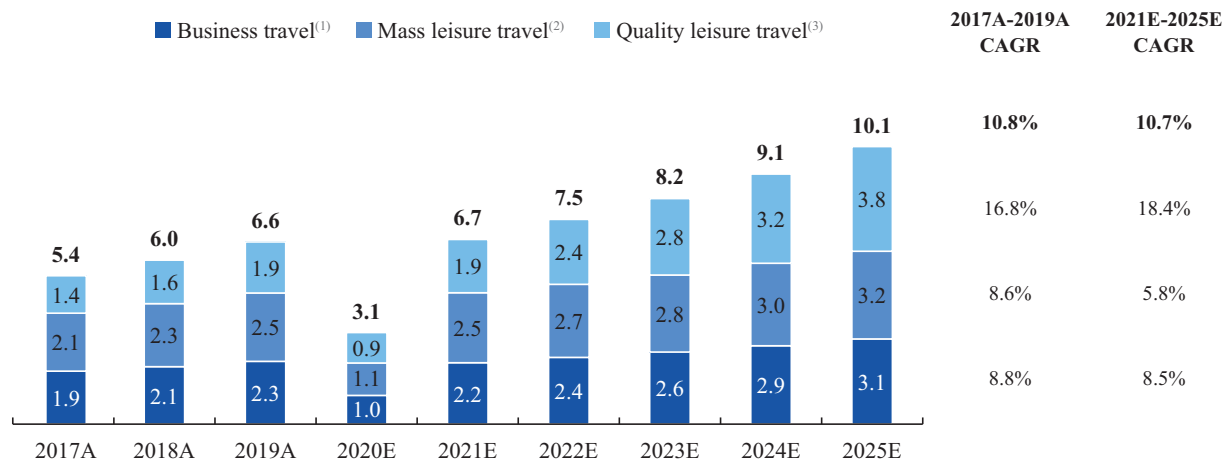
## INDUSTRY OVERVIEW

China will continue to be a major market for the global travel industry, driven by robust economic growth and ongoing consumption upgrades.

China's travel market mainly consists of business travel, mass leisure travel, and quality leisure travel, according to the Analysys Report. Quality leisure travel, represented by high-quality travel products and services such as upscale hotels, VIP tour products, and in-destination travel options, is the fastest growing sector and is expected to surpass the mass leisure travel sector in terms of market size in 2024. According to the Analysys Report, key areas of competition in the business travel and quality leisure travel sectors include: (i) the ability to provide premium and enjoyable user experience and comprehensive products and services, and (ii) convenient and reliable user care services throughout the trip. Therefore, industry participants are inclined to enhance service quality and continue to enrich the suite of product and service offerings. The established players with proven service quality and comprehensive offerings are better positioned to seize the market opportunities and increasing demand in these sectors. Meanwhile, as the mass leisure travel sector mainly represent basic travel demand, major elements of competition include pricing and availability of products and services.

### China's Domestic and Inbound Travel Market by Travel Purpose, 2017-2025E

(RMB in trillions)



Source: Analysys Report

Notes:

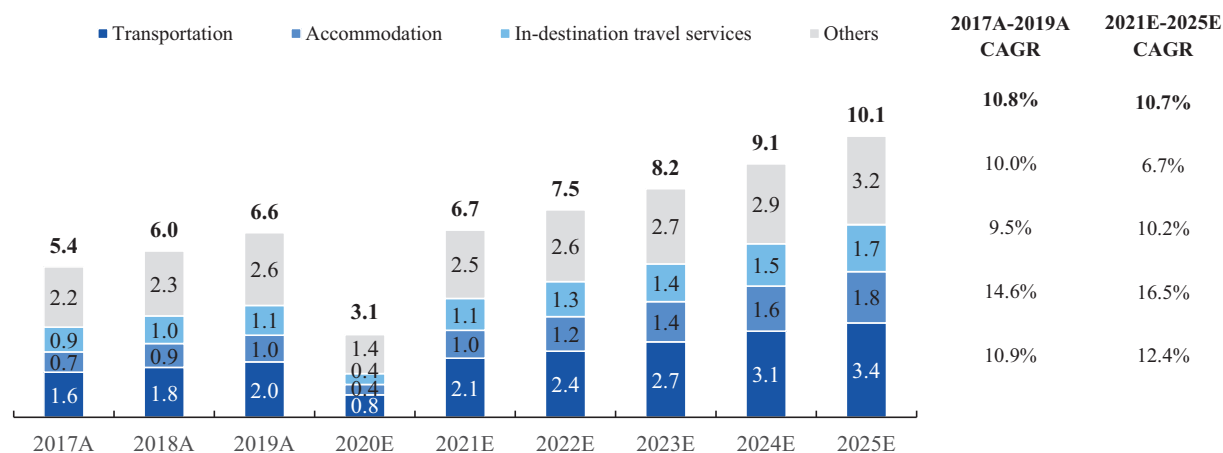
- (1) Business travel refers to travel for work or business purposes.
- (2) Mass leisure travel refers to leisure-oriented travel involving expenditure on budget hotels (three-star and below), train and coach tickets, tour tickets, lower-end packaged tours, self-guided tours, and daycations, excluding those included in quality leisure travel.
- (3) Quality leisure travel refers to leisure-oriented travel involving expenditure on mid-to-upscale hotels (four-star and above), air tickets, car rental and chauffeured car services, smaller-group (with less than 10 travelers) packaged tours and self-guided tours with customized tour plan and butler services, and mid-to-upscale hotel products, private daycations with customized tour plan and butler services, VIP tour tickets, and other premium leisure travel features.

Each trip consists of several essential elements, including transportation, accommodation, in-destination travel services such as sightseeing and entertainment, and other consumption forms mainly including dining and shopping. China's travel market can be similarly divided into these four sectors, as illustrated below.

## INDUSTRY OVERVIEW

### China's Domestic and Inbound Travel Market by Consumption Form, 2017-2025E

(RMB in trillions)



Source: Analysys Report

Chinese travelers' outbound travel spending was RMB562.5 billion (US\$87.0 billion) in 2019, making it the largest outbound travel market globally, according to the Analysys Report. Chinese travelers took 155 million international trips in 2019. Driven by the growing consumption power and easier access to an increasing number of quality travel options, Chinese travelers' outbound travel spending is expected to reach RMB657.9 billion (US\$101.7 billion) by 2025 following recovery from the COVID-19 pandemic, according to the Analysys Report.

### KEY MARKET TRENDS FOR TRAVEL IN CHINA

We believe that the following trends drive the future development of China's travel market.

- Consumption upgrade driven by mass affluent population.** China has the world's largest middle-class population, whose annual household income ranges from RMB60,000 to RMB500,000. China's middle-class population is expected to expand from 300 million in 2019 to 660 million in 2025, representing 46% of the total population in China in 2025, according to the Analysys Report. The rise of China's middle class is continuously reshaping consumption patterns, and this demographic group is typically more tech-savvy and tends to spend more on quality services and experiences. We believe that the emerging affluent population in China has reached an inflection point in terms of their consumption power, and are poised to drive increasing travel demand, similar to the historical growth trajectory of travel consumption in first-tier cities in China with more affluent populations.
- Preference for diverse travel options and quality experience.** From long adventures to weekend getaways, and from long-distance travels to short-haul trips, the concept of travel has been continuously expanding, making everyone a more frequent traveler. Particularly following the COVID-19 pandemic in China, the industry has observed booming demand in small-group and self-guided tours, short-haul trips, night-time sightseeing, and other customized and emerging offerings with immersive experience, according to the Analysys Report. Nevertheless, travelers' expectations for quality continue to prevail, as 95% of travelers are willing to pay a premium for quality travel products and services, according to a survey conducted by Analysys in November 2019. As such, the quality leisure travel market holds significant growth potential, and its market size is expected to reach RMB3.8 trillion (US\$0.6 trillion) in 2025, according to the Analysys Report.



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## INDUSTRY OVERVIEW

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- ***Structural shifts towards inspirational and comprehensive user engagement.*** Chinese travelers have become digitally native and sophisticated, and continuously seek an elevated experience through a one-stop platform offering comprehensive travel content, products, and services. In contrast to the conventional search-and-book model, travelers today increasingly enjoy the fun of sharing, discovering, and getting inspired by rich content, which helps attract more travelers and foster additional demand. In addition, the boundary between online and offline user engagement has blurred, as travelers do not limit themselves to one channel as long as they are digitally connected. Thus, travel platforms offering inspirational content, diverse product selection, and smooth service across a wide range of user touch points both online and offline are better positioned to attract and retain users. As a natural result, the travel advertising market in China, which includes revenues generated from non-travel advertisements on travel platforms and travel advertisements, also shows great growing potential. The market size is estimated to grow from RMB94.6 billion (US\$14.6 billion) in 2019 to RMB139.3 billion (US\$21.5 billion) in 2025, according to the Analysys Report.
- ***Technology-driven supply side evolution.*** As the travel industry keeps expanding to include a wider range of participants and enable more sophisticated offerings, efficiency along the travel industry supply chain becomes a major focus. With business insights and intelligence based on AI and big data analytics, online platforms are better poised to empower these participants to effectively engage users through targeted marketing and conduct well-informed operations leveraging supply-chain management systems. For example, big data analytics can help airlines achieve more effective inventory management with better knowledge of travelers. The integration of and close relationship with digitalized partners will in turn enhance the effectiveness of online platforms and create a thriving industry.

Driven by the foregoing key market trends, China's travel market presents great potential for further expansion. The travel market continues to witness various innovations such as application of new technology and rollout of new products and business models, which in turn bring vitality to the industry and fuel future growth.

### COMPETITIVE LANDSCAPE OF GLOBAL AND CHINA'S TRAVEL MARKET

The global travel market demonstrated strong growth from 2017 to 2019, when industry players were constantly adapting to market changes and updating their business models to compete more effectively. The global travel market is fragmented, as the top five travel platforms globally accounted for an aggregate market share of 7.0% in terms of GMV in 2019.

In China, major industry players in the travel market include travel platforms that provide integrated travel products and services, and various travel product and service providers along the value chain. In terms of GMV, the top five travel platforms accounted for an aggregate market share of 21.5% in China in 2019.

## INDUSTRY OVERVIEW

The following table presents the ranking and market share of the top five players in terms of GMV in the global and China’s travel market in 2019, respectively.

Top five travel platforms <sup>(1)</sup> globally (by GMV, 2019)			Top five travel platforms <sup>(1)</sup> in China (by GMV, 2019)		
Ranking	Players <sup>(2)</sup>	Market share <sup>(3)</sup>	Ranking	Players <sup>(2)</sup>	Market share <sup>(3)</sup>
1	The Company	2.3%	1	The Company	13.7%
2	Player A	1.9%	2	Player E	3.8%
3	Player B	1.7%	3	Player F	2.6%
4	Player C	0.7%	4	Player G	0.9%
5	Player D	0.5%	5	Player H	0.6%
<b>Top 5</b>		<b>7.0%</b>	<b>Top 5</b>		<b>21.5%</b>

Source: *Analysys Report*

Notes:

- (1) Travel platforms refer to platforms that provide integrated travel services and products, such as transportation ticketing, accommodation booking, in-destination travel services, among others.
- (2) Player A is a listed company based in the U.S.; player B is a listed company based in the U.S.; player C is a listed company based in the U.S.; player D is a private company headquartered in the Netherlands; player E is a subsidiary of a listed company based in China; player F is a listed company based in China; player G is a listed company based in China; player H is a listed company based in China.
- (3) Market shares are based on global travel market size in 2019 and China’s domestic and outbound travel market size in 2019, respectively.

## INDUSTRY RECOVERY AND NEW NORMS AFTER THE COVID-19 PANDEMIC

The COVID-19 pandemic has had a negative impact on the travel market in China and globally, given the worldwide travel restrictions in place starting from early 2020. The global travel industry has observed rising demand in domestic and short-haul travel as replacement for cross-border travel due to the travel restrictions. In the meantime, authorities in various countries are looking into the possibility of introducing exclusive partnerships among selected countries, or “travel bubbles,” and establishing an international vaccine certificate or visa system, which would enable people to travel abroad and drive a rebound in global travel demand for the post-COVID era. For instance, Malta has re-opened its border and been expanding the list of countries whose citizens are eligible to enter the country; starting from November 6, 2020, the Singapore government has lifted their border restrictions for travelers from mainland China, then established a travel bubble with Hong Kong.

With gradual recovery of domestic travel, China has been leading the worldwide recovery in the travel industry since the outbreak of the COVID-19 pandemic due to the rapid response and effective containment measures. For example, the National Day holiday golden week in October 2020 observed a strong resurgence of China’s domestic travel market, with 637 million domestic trips during the holiday, accounting for 81% of the total number of domestic trips in the same period in 2019, according to the *Analysys Report*.

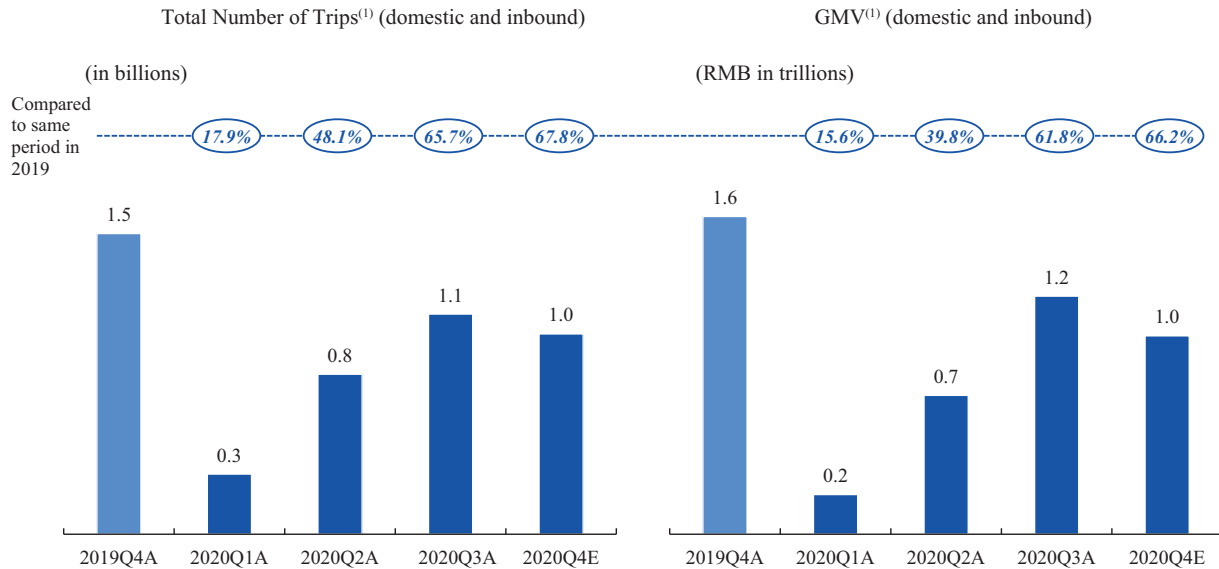
The pandemic also has driven a surging demand for quality leisure travel products. During the economic recovery amid persistent health and safety measures against the pandemic, Chinese travelers continued to travel but showed an emerging preference for short-haul travel, local trips, and domestic boutique and premium accommodation experiences. For example, it is expected that the small group tour products currently on the market for the upcoming public holidays in 2021 will cover all major tourist destinations across the country, according to the *Analysys Report*. In addition, the quality leisure travel sector is expected to grow nearly twice as fast as the overall travel market from 2021 to 2025, according to the *Analysys Report*, representing significant demand and growth potential going forward.

China’s travel market has formed a V-shaped recovery, with 1.1 billion domestic and inbound trips in the third quarter of 2020, representing a 45% increase from the number of such trips in the

## INDUSTRY OVERVIEW

second quarter of 2020, according to the Analysys Report. The market is also expected to quickly rebound in 2021, reaching a total of 6.2 billion domestic and inbound trips, and to resume growth going forward.

### China's Travel Market: V-Shaped Recovery from the COVID-19 Pandemic



Source: Analysys Report

Note:

(1) The market size in terms of total number of trips and GMV were determined and calculated based on (i) the primary and secondary research and forecast that Analysys performed on the industrial trends of the China travel market, and (ii) quarterly domestic travel market data and survey results released by the PRC Ministry of Culture and Tourism.

The COVID-19 pandemic has also caused shifts in the supply chain of China's travel market. Comparing to mature and large-sized market participants, the ones that were smaller in scale, less capitalized, or less differentiated were typically more severely affected. In addition, the pandemic also further promoted the digitalization of the overall travel supply chain. Travel brands and service providers became more inclined to establish online presence and embrace new digital tools, such as dynamic operation management systems and content creation tools, to more efficiently meet demand and operate their businesses. As travelers developed an emerging preference towards short-haul travel, local trips, and domestic boutique and premium accommodation experiences during the economic recovery, service providers have been creating innovative products and enhancing their service quality to capture the evolving demand.

The secular trends continue to create massive market opportunities for participants in the travel market in both China and globally in the mid- to long-term. Established platforms with leading technology and proven operational know-how across all travel segments are poised to promptly react to evolving demand, maximize user satisfaction and trust, drive industry recovery, and strengthen their leadership in the post-COVID era.

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## HISTORY AND CORPORATE STRUCTURE

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### HISTORY AND DEVELOPMENT

#### Overview

Founded in 1999 and listed on Nasdaq in 2003, we have become the leading one-stop travel platform globally, integrating a comprehensive suite of travel products and services and differentiated travel content. The Company operates under a portfolio of brands, including Ctrip, Qunar, Trip.com and Skyscanner.

Our Company is a holding company incorporated in the Cayman Islands in March 2000. Since our inception, we have conducted the majority of our operations in China through our subsidiaries and variable interest entities. We have also developed our operations overseas since 2009.

#### Key corporate milestones

The following is a summary of our key corporate development milestones:

<u>Date</u>	<u>Event</u>
1999	Commencement of our business and launch of Ctrip brand
2003	IPO and listing on Nasdaq, trading under “CTRP”
2015	Strategic investment in Qunar
2016	Global expansion with acquisition of Skyscanner
2017	Launch of Trip.com mobile application and online website
2019	Renaming to Trip.com Group Limited, trading under “TCOM”

#### Significant Subsidiaries

The following are certain details of our Significant Subsidiaries:

<u>Name of company</u>	<u>Principal business activities</u>	<u>Date and jurisdiction of establishment</u>
Ctrip.com (Hong Kong) Limited	a holding company	June 11, 1999, Hong Kong, China
C-Travel International Limited	a holding company	March 3, 2006, Cayman Islands
Qunar Cayman Islands Limited (“ <b>Qunar</b> ”)	a holding company	July 31, 2006, Cayman Islands
Skyscanner Holdings Limited (“ <b>Skyscanner</b> ”)	a global travel search site provider	September 16, 2011, England and Wales
Ctrip Computer Technology (Shanghai) Co., Ltd. (“ <b>Ctrip Computer Technology</b> ”)	a company providing hotel-related and other technical consulting services	January 19, 1994, PRC
Shanghai Ctrip International Travel Agency Co., Ltd. (“ <b>Shanghai Ctrip</b> ”)	a company providing travel-related products and services	May 16, 2002, PRC
Ctrip Travel Information Technology (Shanghai) Co., Ltd. (“ <b>Ctrip Travel Information</b> ”)	a company providing technology and consulting services	March 13, 2003, PRC
Ctrip Travel Network Technology (Shanghai) Co., Ltd. (“ <b>Ctrip Travel Network</b> ”)	a company providing product services, information services, and technology	April 14, 2005, PRC

## HISTORY AND CORPORATE STRUCTURE

Name of company	Principal business activities	Date and jurisdiction of establishment
Beijing Qunar Software Technology Co., Ltd. (“ <b>Qunar Software</b> ”)	a company providing technology and consulting services	October 10, 2006, PRC
Chengdu Ctrip International Travel Agency Co., Ltd. (“ <b>Chengdu Ctrip International</b> ”)	a company providing travel-related products and services	November 4, 2008, PRC
Chengdu Ctrip Information Technology Co., Ltd. (“ <b>Chengdu Information</b> ”)	a company providing technology and consulting services	October 20, 2010, PRC
Wancheng (Shanghai) Travel Service Co., Ltd. (“ <b>Wancheng</b> ”)	a company providing travel-related products and services	October 29, 2013, PRC
Shanghai Hecheng International Travel Agency Co., Ltd. (“ <b>Hecheng</b> ”)	a company providing hotel-related products and services	September 10, 2015, PRC
Shanghai Ctrip Commerce Co., Ltd. (“ <b>Ctrip Commerce</b> ”)	an affiliated consolidated entity providing value-added telecommunications business and internet information services	July 18, 2000, PRC
Shanghai Huacheng Southwest International Travel Agency Co., Ltd. (“ <b>Shanghai Huacheng</b> ”)	an affiliated consolidated entity providing air-ticketing agent services	March 13, 2001, PRC
Beijing Qu Na Information Technology Co., Ltd. (“ <b>Qunar Beijing</b> ”)	an affiliated consolidated entity providing value-added telecommunications business and internet information services	March 17, 2006, PRC
Chengdu Ctrip Travel Agency Co., Ltd. (“ <b>Chengdu Ctrip</b> ”)	an affiliated consolidated entity providing air-ticketing agent service	January 8, 2007, PRC

### Listing on Nasdaq

Our ADSs have been listed on the Nasdaq Global Market since December 2003 and the Nasdaq Global Select Market since July 2006. Our ADSs were previously traded under the symbol “CTRP” and are currently traded under the symbol “TCOM,” starting from November 5, 2019.

Since the date of our listing on Nasdaq and up to the Latest Practicable Date, we have had no instances of non-compliance with the rules of Nasdaq in any material respects and to the best knowledge of our Directors after having made all reasonable enquiries, there is no matter that should be brought to investors’ attention in relation to our compliance record on Nasdaq. We believe that the Listing on the Hong Kong Stock Exchange will present us with an opportunity to further expand our investor base and broaden our access to capital markets.

### Acquisitions, disposals and strategic investments

In October 2015, we completed a share exchange transaction with Baidu Inc. (“**Baidu**”), whereby we obtained approximately 45% of the aggregate voting interest of Qunar in exchange for our newly issued ordinary shares. In December 2015, we issued ordinary shares represented by ADSs to certain special purpose vehicles holding shares solely for the benefit of certain Qunar employees and, as consideration, we received class B ordinary shares of Qunar and directly injected these shares to a third-party investment entity dedicated to investing in business in China. From accounting perspective, we started to consolidate Qunar’s financial statements from December 31, 2015. In October 2016, we participated as a member in the buying consortium in Qunar’s going-private transaction and rolled our

## HISTORY AND CORPORATE STRUCTURE

then existing equity stake into the entity that wholly owns Qunar upon the completion of the transaction in February 2017.

In December 2016, we consummated an acquisition transaction whereby shares held by nearly all the shareholders of Skyscanner, a leading global travel search site headquartered in Edinburgh, the United Kingdom, were acquired by us. The total purchase consideration for the acquisition of Skyscanner was approximately £1.4 billion (which consisted of around £1.2 billion in cash and the remainder in our Shares).

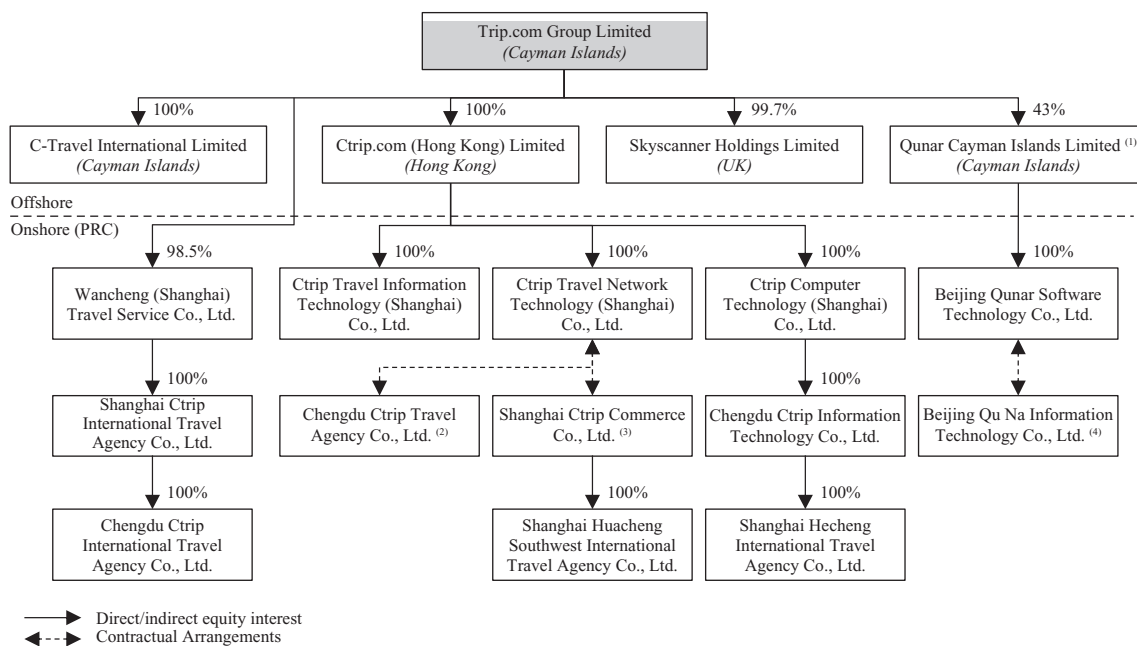
We invested in convertible notes (which have been subsequently converted to ordinary shares) and ordinary shares of MakeMyTrip Limited (“**MakeMyTrip**”), a leading online travel company in India, in January 2016 and May 2017 respectively. In August 2019, we completed a share exchange transaction with Naspers Limited (“**Naspers**”), pursuant to which Naspers exchanged its stake in MakeMyTrip, for newly issued shares in our Company. Concurrent with the share exchange, we also invested certain ordinary shares and Class B shares of MakeMyTrip in a third-party investment entity. Immediately after the closing of the transaction, we owned ordinary shares and Class B shares of MakeMyTrip, representing approximately 49.0% of the then total voting power in MakeMyTrip.

We have not conducted any major acquisitions or disposals during the Track Record Period.

### CORPORATE STRUCTURE

#### Our corporate structure

The following simplified diagram summarizes, for illustrative purposes, our corporate structure, including our significant subsidiaries and consolidated affiliated Chinese entities as of December 31, 2020.



**Notes:**

- (1) For further details about the indirect ownership of Qunar Cayman Islands Limited, see “—History and development—Acquisitions, disposals and strategic investments”.
- (2) Min Fan and Qi Shi hold 99.5% and 0.5% of the equity interest in Chengdu Ctrip Travel Agency Co., Ltd., respectively.
- (3) Tao Yang and Maohua Sun hold 89.8% and 10.2% of the equity interest in Shanghai Ctrip Commerce Co., Ltd., respectively.
- (4) Hui Cao and Hui Wang hold 60% and 40% of the equity interest in Beijing Qu Na Information Technology Co., Ltd., respectively.



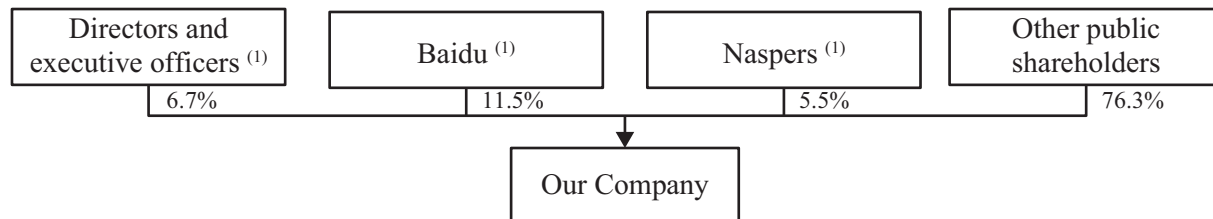
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## HISTORY AND CORPORATE STRUCTURE

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### Shareholding structure

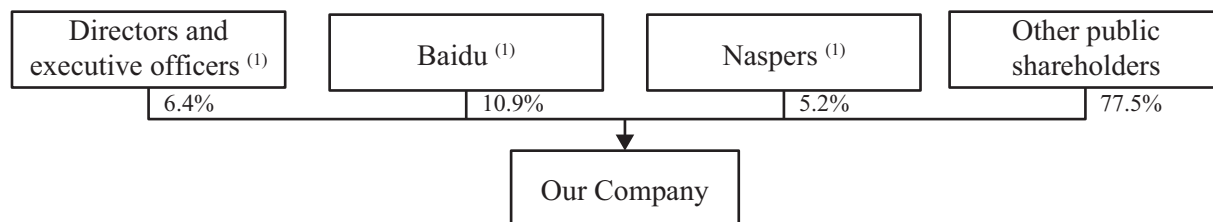
The following diagram illustrates our shareholding structure as at February 28, 2021:



*Note:*

(1) See "Major Shareholders" for further details on the voting rights and the beneficial ownership of our directors and executive officers as a group and other shareholders. Based on the latest publicly available information filed with the SEC, as at Latest Practicable Date. Based on 601,075,512 issued and outstanding ordinary shares as at February 28, 2021, after accounting for the Share Subdivision, excluding the 26,071,360 ordinary shares, after accounting for the Share Subdivision, that were issued to The Bank of New York Mellon, the depository of our ADS program, for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our stock incentive plans and for our treasury ADSs, and treasury shares we own.

The following diagram illustrates our shareholding structure immediately upon the completion of the Global Offering (assuming all major shareholders' shareholdings remain unchanged as of the Latest Practicable Date, Baidu does not exercise its right to participate in the Global Offering, the Over-allotment Option is not exercised, and no additional Shares are issued under the Share Incentive Plans):



*See above for note.*

### CONTRACTUAL ARRANGEMENTS

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the travel agency and value-added telecommunications businesses in China. Therefore, we conduct part of our businesses through a series of agreements between our PRC subsidiaries, our consolidated affiliated Chinese entities and/or their respective shareholders. Our consolidated affiliated Chinese entities hold the licenses and approvals for operating the travel agency, and value-added telecommunications businesses in China. We do not hold any ownership interest in our consolidated affiliated Chinese entities. In 2015, we restructured our business lines and most of the contractual arrangements that we previously entered into with our consolidated affiliated Chinese entities in order to further strengthen our ability to control these entities and receive substantially all of the economic benefits from them. Moreover, we plan to enter into the same series of agreements with all of our future consolidated affiliated Chinese entities. As of the Latest Practicable Date, Min Fan, our vice chairman of the board and president, Tao Yang, Maohua Sun, Qi Shi, Hui Cao, and Hui Wang, all being our officers or senior counsels, are the principal record owners of our consolidated affiliated Chinese entities.

As of the Latest Practicable Date, the equity holding structures of each of our significant consolidated affiliated Chinese entities are as follows:

- Maohua Sun and Tao Yang owned 10.2% and 89.8%, respectively, of Ctrip Commerce.

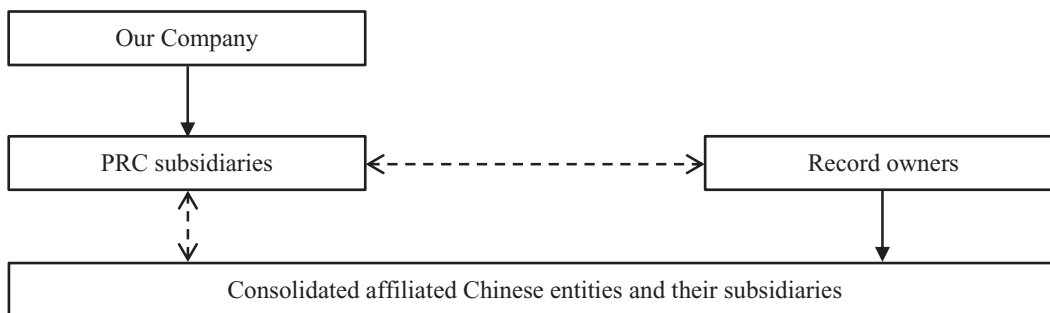
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## HISTORY AND CORPORATE STRUCTURE

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- Ctrip Commerce owned 100% of Shanghai Huacheng.
- Min Fan and Qi Shi owned 99.5% and 0.5%, respectively, of Chengdu Ctrip.
- Hui Cao and Hui Wang owned 60% and 40%, respectively, of Qunar Beijing.

The following simplified diagram illustrates the VIE structure created by our contractual arrangements:



Notes:

- (1) “——>” denotes legal and beneficial ownership in equity interest.
- (2) “<----->” denotes contractual relationship.

We believe that the terms of these agreements are no less favorable than the terms that we could obtain from disinterested third parties. The terms of the agreements with the same title between us and our respective consolidated affiliated Chinese entities are substantially similar except for the amount of the business loans to the shareholders of each entity and the amount of service fees paid by each entity. We believe that the shareholders of our consolidated affiliated Chinese entities will not receive any personal benefits from these agreements except as shareholders of our Company. The principal terms of these agreements are described below.

Net revenues from VIEs accounted for 27%, 27%, and 36% of the Company’s net revenues for the years ended December 31, 2018, 2019, and 2020. The contractual arrangements currently in force in relation to Ctrip Commerce were first established on December 14, 2015 and amended on April 9, 2019 and May 27, 2019. The contractual arrangements currently in force in relation to Chengdu Ctrip were first established on December 14, 2015 and amended on March 20, 2017. Our contractual arrangements with Qunar Beijing, and relating to its registered shareholders Hui Cao and Hui Wang, were most recently amended and entered into on March 23, 2016. See “Statutory and general information—Further information about our business—Summary of Contractual Arrangements” in Appendix IV for a full list of the contracts constituting the contractual arrangements.

### **Terms of the arrangements with consolidated affiliated Chinese entities**

#### ***Powers of Attorney***

Each of the shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, signed an irrevocable power of attorney to appoint Ctrip Travel Network or Ctrip Travel Information, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of the applicable consolidated affiliated Chinese entities. Each such power of attorney will remain effective as long as the applicable consolidated affiliated Chinese entity exists, and such shareholders of the applicable consolidated affiliated Chinese entities are not entitled to terminate or amend the terms of the power of attorneys without prior written consent from us.

As of the Latest Practicable Date, each of the shareholders of Qunar Beijing, Hui Cao and Hui Wang, also signed an irrevocable power of attorney authorizing an appointee, to exercise, in a manner

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## HISTORY AND CORPORATE STRUCTURE

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approved by Qunar, on such shareholder's behalf the full shareholder rights pursuant to applicable laws and Qunar Beijing's articles of association, including without limitation full voting rights and the right to sell or transfer any or all of such shareholder's equity interest in Qunar Beijing. Each such power of attorney is effective until such time as such relevant shareholder ceases to hold any equity interest in Qunar Beijing. The terms of the power of attorney with respect to Qunar Beijing are substantially similar to the terms described in the foregoing paragraph.

### **Technical Consulting and Services Agreements**

Ctrip Travel Information and Ctrip Travel Network, each a wholly-owned PRC subsidiary of ours, provide our consolidated affiliated Chinese entities, except for Qunar Beijing, with technical consulting and related services and staff training and information services on an exclusive basis. We also maintain their network platforms. In consideration for our services, our consolidated affiliated Chinese entities agree to pay us service fees as calculated in such manner as determined by us from time to time based on the nature of service, which may be adjusted periodically. For 2019 and 2020, our consolidated affiliated Chinese entities paid Ctrip Travel Information (after our restructuring of business lines and restatement of contractual arrangements in 2015) and Ctrip Travel Network (after our restructuring of business lines and restatement of contractual arrangements in 2015) a quarterly fee based on the number of transportation tickets sold in the quarter, at an average rate of RMB4 (US\$0.5) and RMB3 (US\$0.4) per ticket, respectively. Although the service fees are typically determined based on the number of transportation tickets sold, given the fact that the nominee shareholders of such consolidated affiliated Chinese entities have irrevocably appointed a designated person to vote on their behalf on all matters they are entitled to vote on, we have the right to determine the level of service fees paid and therefore receive substantially all of the economic benefits of our consolidated affiliated Chinese entities in the form of service fees. The services fees paid by all of such consolidated affiliated Chinese entities as a percentage of their total net income were 89%, 95% and 117% for the years ended December 31, 2018, 2019 and 2020. Ctrip Travel Information or Ctrip Travel Network, as appropriate, will exclusively own any intellectual property rights arising from the performance of this agreement. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a 30-day advance written notice to the applicable consolidated affiliate Chinese entity.

As of the Latest Practicable Date, pursuant to the restated exclusive technical consulting and services agreement between Qunar Beijing and Qunar Software, Qunar Software provides Qunar Beijing with technical, marketing and management consulting services on an exclusive basis in exchange for service fee paid by Qunar Beijing based on a set formula defined in the agreement subject to adjustment by Qunar Software at its sole discretion. This agreement will remain in effect until terminated unilaterally by Qunar Software or mutually. The terms of this agreement are substantially similar to the terms described in the foregoing paragraph.

### **Equity Pledge Agreements**

The shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, have pledged their respective equity interests in the applicable consolidated affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by such consolidated affiliated Chinese entities of the technical and consulting services fees to us under the technical consulting and services agreements, repayment of the business loan under the loan agreements and performance of obligations under the exclusive option agreements, each agreement as described herein. This agreement shall be valid and binding on the parties, their heirs, successors and permitted assignees. In the event any of such consolidated affiliated

## HISTORY AND CORPORATE STRUCTURE

Chinese entity breaches any of its obligations or any shareholder of such consolidated affiliated Chinese entities breaches his or her obligations, as the case may be, under these agreements, we are entitled to enforce the equity pledge right and sell or otherwise dispose of the pledged equity interests, and have priority in receiving payment from proceeds from the auction or sale of all or part of the pledge until the obligations are settled. The pledge shall be established upon registration with the local branch of the SAMR, which has been completed, and will expire two years after the pledgor and the applicable consolidated affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

As of the Latest Practicable Date, pursuant to the equity interest pledge agreement among Qunar Software, Hui Cao and Hui Wang, Hui Cao and Hui Wang have pledged their equity interests in Qunar Beijing along with all rights, titles and interests to Qunar Software as guarantee for the performance of all obligations under the relevant contractual arrangements mentioned herein. This agreement shall be valid and binding on the parties, their heirs, successors and permitted assignees. Qunar Software may enforce this pledge upon the occurrence of a settlement event or as required by the PRC law. The pledge shall be established upon registration with the local branch of the SAMR, which has been completed, and will expire when all obligations under the relevant contractual arrangements have been satisfied. In enforcing the pledge, Qunar Software is entitled to dispose of the pledge and have priority in receiving payment from proceeds from the auction or sale of all or part of the pledge until the obligations are settled. The terms of this agreement are substantially similar to the terms described in the foregoing paragraph.

### Loan Agreements

Under the loan agreements we entered into with the shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, we extended long-term business loans to these shareholders of our consolidated affiliated Chinese entities with the sole purpose of providing funds necessary for the capitalization or acquisition of such consolidated affiliated Chinese entities. These business loan amounts were injected into the applicable consolidated affiliated Chinese entities as capital and cannot be accessed for any personal uses. The initial term of the loan agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension by written notice in advance. The loan agreements shall remain effective until the parties have fully performed their respective obligations under the agreement, and the shareholders of such consolidated affiliated Chinese entities have no right to unilaterally terminate these agreements or repay the loan in advance. The loan agreements shall be valid and binding on the parties, their successors and permitted assignees. In the event that the PRC government lifts its substantial restrictions on foreign ownership of the travel agency or value-added telecommunications business in China, as applicable, we will exercise our exclusive option to purchase all of the outstanding equity interests of our consolidated affiliated Chinese entities, as described in the following paragraph, and the loan agreements will be canceled in connection with such purchase. However, it is uncertain when, if at all, the PRC government will lift any or all of these restrictions.

The following table sets forth, as of March 15, 2021, the amount of each business loan, the date each business loan arrangement was entered into, the principal, interest, maturity date and outstanding balance of the loan, the borrower and the relevant significant consolidated affiliated Chinese entity.

Date of Loan Agreement	Borrower	Significant Consolidated Affiliated Chinese Entity	Principal		Interest	Maturity Date	Outstanding Balance	
			RMB (in millions)	US\$ (in millions)			RMB (in millions)	US\$ (in millions)
May 27, 2019 . . . . .	Tao Yang	Ctrip Commerce	808.2	123.9	None	May 26, 2029	808.2	123.9
April 9, 2019 . . . . .	Maohua Sun	Ctrip Commerce	88.7	13.6	None	December 13, 2025	88.7	13.6

## HISTORY AND CORPORATE STRUCTURE

Date of Loan Agreement	Borrower	Significant Consolidated Affiliated Chinese Entity	Principal		Interest	Maturity Date	Outstanding Balance	
			RMB	US\$			RMB	US\$
December 14, 2015 . . .	Maohua Sun	Ctrip Commerce	3.1	0.5	None	December 13, 2025	3.1	0.5
March 20, 2017 . . . . .	Min Fan	Chengdu Ctrip	477.6	73.2	None	December 13, 2025	477.6	73.2
December 14, 2015 . . .	Min Fan	Chengdu Ctrip	19.9	3.0	None	December 13, 2025	19.9	3.0
March 20, 2017 . . . . .	Qi Shi	Chengdu Ctrip	2.4	0.4	None	December 13, 2025	2.4	0.4
December 14, 2015 . . .	Qi Shi	Chengdu Ctrip	0.1	0.0	None	December 13, 2025	0.1	0.0
March 23, 2016 . . . . .	Hui Cao	Qunar Beijing	6.6	1.0	None	Until repayment notice	6.6	1.0
March 23, 2016 . . . . .	Hui Wang	Qunar Beijing	4.4	0.7	None	Until repayment notice	4.4	0.7

As of the Latest Practicable Date, pursuant to the loan agreement among Qunar Software, Hui Cao and Hui Wang, the loans extended by Qunar Software to each of Hui Cao and Hui Wang are only repayable by a transfer of such borrower's equity interest in Qunar Beijing to Qunar Software or its designated party, in proportion to the amount of the loan to be repaid. This loan agreement will continue in effect indefinitely until such time when (i) the borrowers receive a repayment notice from Qunar Software and fully repay the loans, or (ii) an event of default (as defined therein) occurs unless Qunar Software sends a notice indicating otherwise within 15 calendar days after it is aware of such event. The loan agreements shall be valid and binding on the parties, their successors and permitted assignees. The terms of this loan agreement is substantially similar to the terms described in the foregoing paragraphs.

### Exclusive Option Agreements

As consideration for our entering into the loan agreements described above, each of the shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, has granted us an exclusive, irrevocable option to purchase, or designate one or more person(s) at our discretion to purchase, all of their equity interests in the applicable consolidated affiliated Chinese entities at any time we desire, subject to compliance with the applicable PRC laws and regulations. We may exercise the option by issuing a written notice to the shareholder of relevant consolidated affiliated Chinese entity. Subject to the evaluation requirements or other restrictions imposed by applicable PRC laws and regulations, the purchase price shall be equal to the contribution actually made by the shareholder for the relevant equity interest. Therefore, if we exercise these options, we may choose to cancel the outstanding loans we extended to the shareholders of such consolidated affiliated Chinese entities pursuant to the loan agreements as the loans were used solely for equity contribution purposes. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. This agreement shall be valid and binding on the parties, their heirs, successors and permitted assignees. We retain the exclusive right to terminate the agreements at any time by delivering a written notice to the shareholder of applicable consolidated affiliate Chinese entity.

Hui Cao and Hui Wang also entered into an equity option agreement with Qunar, Qunar Software and Qunar Beijing. This equity option agreement contains arrangements that are similar to that as described in the foregoing paragraph. This agreement will remain effective with respect to each of Qunar Beijing's shareholders until all of the equity interest has been transferred or Qunar and Qunar Software terminates the agreement unilaterally with 30 days' prior written notice. This agreement shall be valid and binding on the parties, their successors and permitted assignees.

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## HISTORY AND CORPORATE STRUCTURE

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

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

### **Confirmations and risks relating to the variable interest entity structure**

Our PRC Legal Advisor is of the opinion that:

- (a) the current ownership structure of our consolidated affiliated Chinese entities and our corresponding PRC subsidiaries in China is not in violation of applicable PRC laws and regulations currently in effect;
- (b) the VIE agreements entered into by our PRC subsidiaries, our consolidated affiliated Chinese entities and/or their respective shareholders governed by PRC laws and regulations are valid, legal and binding, and do not result in violation of any applicable PRC laws and regulations or their respective articles of association currently in effect; and
- (c) the VIE agreements entered into by our PRC subsidiaries, our consolidated affiliated Chinese entities and/or their respective shareholders governed by PRC laws and regulations would not fall within the circumstances which will lead the arrangements under VIE agreements to be an invalid civil juristic act under the PRC Civil Code.

Based on the above, our directors believe that the agreements underlying the contractual arrangements as described above that confer significant control and economic benefits from the variable interest entities on us are enforceable under the relevant laws. Nevertheless, any violations by the variable interest entities of our agreements with them could disrupt our operations or adversely affect our services. See “Risk Factors—Risks Relating to Our Corporate Structure.”

Additionally, we have been advised by our PRC Legal Advisor that there are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC Legal Advisor due to the lack of official interpretation and clear guidance. If we and our consolidated affiliated Chinese entities are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation, levying fines, confiscating our income or the income of our consolidated affiliated Chinese entities, revoking our business licenses or the business licenses of our consolidated affiliated Chinese entities, requiring us and our consolidated affiliated Chinese entities to restructure our ownership structure or operations and requiring us or our consolidated affiliated Chinese entities to discontinue any portion or all of our value-added



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## HISTORY AND CORPORATE STRUCTURE

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telecommunications or travel agency businesses. In particular, if the PRC government authorities impose penalties which cause us to lose our rights to direct the activities of and receive economic benefits from our consolidated affiliated Chinese entities, we may lose the ability to consolidate and reflect in our financial statements the operation results of our consolidated affiliated Chinese entities. Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. See “Risk factors—Risks Relating to Our Corporate Structure—PRC laws and regulations restrict foreign investment in the travel agency and value-added telecommunications businesses, and substantial uncertainties exist with respect to the application and implementation of PRC laws and regulations.”

There are other risks involved in our corporate structure and the contractual arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in “Risk Factors—Risks Relating to Our Corporate Structure.”

We have considered the costs and difficulties of acquiring insurance on commercially reasonable terms, and consider it impractical for us to have insurance to cover these risks. Accordingly, we have not purchased insurance to cover the risks relating to the contractual arrangements.

As of the Latest Practicable Date, we have not encountered any interference or encumbrance from any PRC regulators in operating our business through the variable interest entities under the contractual arrangements.

### SAFE REGISTRATION IN THE PRC

On October 21, 2005, SAFE issued the Circular of the SAFE on Foreign Exchange Administration for Financing and Round-Trip Investments by Domestic Residents via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“**SAFE Circular 75**”), which came into effective on November 1, 2005 and required PRC residents to register with the local SAFE branches before establishing or controlling any company outside of China for the purpose of capital financing with assets or equity interests in any onshore enterprise.

On July 4, 2014, SAFE promulgated the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which superseded SAFE Circular 75 and stated the following:

- (a) a PRC resident, including a PRC resident natural person or a PRC legal person, must register with the local SAFE branch before it contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and
- (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other changes, a change of the Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division.

Our PRC Legal Advisor has advised that Mr. Min Fan has completed in 2006 his foreign exchange registration of overseas investments as required under the SAFE Circular 75.

**WHO WE ARE TODAY**

Today, we are a leading one-stop travel platform globally, integrating a comprehensive suite of travel products and services and differentiated travel content. We are the go-to destination for travelers in China, and increasingly for travelers around the world, to explore travel and get inspired, to make informed and cost-effective travel bookings, and to enjoy hassle-free, on-the-go support and share travel experience. Users come to our platform for any type of trip, from in-destination activities, weekend getaways, and short-haul trips, to cross-border vacations and business trips. Our diverse product and service portfolio covers budget, high-end, customized, and boutique offerings that appeal to both our domestic users and our growing global user base. Founded in 1999, we now operate the most well-known travel brands in China according to the Analysys Report, and have solidified our leadership over the past two decades. We have been the largest online travel platform in China over the past decade and the largest online travel platform globally from 2018 to 2020, both in terms of GMV, according to the Analysys Report.

**OUR MISSION**

Our mission is to make every trip effortlessly enjoyable.

Travel is a way of life and life is a trip. Travel is more than transportation, lodging, dining, and sightseeing. Travel is a lifestyle and an indispensable dimension of life. We travel for fun and for work; we travel alone and with family and friends; we travel far away and nearby. Our travel experiences help shape who we are.

We make every trip personalized, convenient, enjoyable, and inspirational by building a travel ecosystem integrating rich and diverse travel products, services, and content offerings. Over the past two decades, we have been elevating the travel experience and lifestyles for people in China and around the world.

# BUSINESS

## Leading Brands



## One-Stop Travel Platform



## Breadth of Offering\*



**1.2mm+**  
global accommodation offerings



**480+**  
global airlines from low-cost to full-service carriers



**310,000+**  
global in-destination activities



**30,000+**  
other ecosystem partners

**200+ countries and regions**

\* As of December 31, 2020

## **OVERVIEW**

### **How We Create an Effortlessly Enjoyable Travel Experience**

**User Centricity.** We are a user-centric company committed to providing each user with a personalized, convenient, enjoyable, and inspirational travel experience. Before a trip, we provide personalized content to inspire our users to make informed travel decisions and a smooth booking process with full pricing transparency. Throughout a trip, we provide convenient and reliable on-the-go support through our mobile applications and around-the-clock customer service centers. After a trip, we continue to engage with our users, encourage them to review and share their experiences, and then use the feedback to consistently refine our services and inspire other users.

**Open Platform.** We enable a network of ecosystem partners, including listed accommodations, airlines, and other travel product providers, to access our massive user traffic, deep travel insights, and technology-enabled solutions. As a result, our open platform seamlessly aggregates and presents diverse travel products and services across the world with great scalability.

**Proprietary Technology.** We focus on building technology to improve travel experience. We were the first travel platform in China to launch a mobile-based transaction platform that enables convenient booking anywhere and anytime. Our proprietary artificial intelligence (AI) and big data analytics technologies allow us to transform our massive travel data into business intelligence and operating know-how to consistently enhance our travel offerings and our operating efficiency.

### **Our Resilience**

Our 17-year journey as a public company started in December 2003, shortly after the SARS outbreak in China, and the resilience that we demonstrated then continues today. Since the beginning of 2020, we, similar to other companies in the travel industry, have been negatively impacted by the COVID-19 pandemic. Nevertheless, we have continued to innovate our product, service, and content offerings to continuously deliver high-quality travel experience to our users. We not only strengthened collaboration with our hotel partners by launching a broader range of room and non-room offerings at attractive prices, but also developed “pre-order” offerings, which allow our users to lock in a competitive price while enjoying great flexibility in determining the actual travel date. We also launched our live streaming functions to help our ecosystem partners promote travel destinations across China and offer the latest great deals from hotels and flights to excursion tickets and in-destination activity packages. These efforts have created new ways to engage with users and ignite increasing local and domestic travel demand, and enabled us to continue to provide diverse marketing services to ecosystem partners.

As social and economic conditions gradually recovered from the COVID-19 pandemic within China, we observed an emerging demand for short-haul travel, local trips, and domestic boutique and premium accommodation experiences. We have rolled out new product offerings in these categories to better serve users’ travel demand and recorded a strong recovery in our domestic travel business. As of December 31, 2020, the number of in-destination activity ecosystem partners increased by approximately 25% compared to December 31, 2019. In the fourth quarter of 2020, we had an over 20% increase in our intra-provincial hotel GMV and an over 100% increase in number of reservations for attractions and activities, compared to the same period in 2019. Our continued innovations in products, services, and content offerings allow us to identify the evolving need of users, putting us in an advantageous position to capture pent-up demand for outbound travel post-COVID-19.

## **Our Value Propositions**

### ***Our Value Propositions to Users***

Users come to us for inspiration, diverse selection, personalized, convenient, and enjoyable experiences, trustworthiness, value-based pricing, and efficiency.

*Inspiration.* The digital nature and scale of our platform have allowed us to accumulate content shared by travelers based on their real travel experiences and professionally generated content from our ecosystem partners. Our immersive and appealing content inspires travel ideas and bookings, and motivates future sharing from users after their own trips, thereby continuously enriching our content offerings.

*Diverse Selection.* Our one-stop travel platform offers a vast number of accommodations, transportation options, vacation packages, in-destination activities, and service offerings with expanding geographical coverage. From budget to premium, our diverse selection of travel product and service offerings, including long-tail and customized products, allows us to capture the varying demands of our broad user base. Our global travel offerings enable our users to book travel within China and elsewhere in the world.

*Personalized, Convenient, and Enjoyable Experience.* Our proprietary AI and big data analytics technologies enable us to provide each user with a personalized content feed. Our search and transaction engines integrate extensive product and service offerings around the world, provide real-time updates on pricing and availabilities, handle complex routing and matching calculations, and enable flexible payment options to maximize convenience for our users.

*Trustworthiness.* Our on-the-go travel services accompany users throughout their entire journey. Our service center is reachable 24/7. We proactively take swift measures to safeguard our users' safety and economic interests constantly, especially when emergency situations arise such as the COVID-19 pandemic. This further solidifies the trustworthiness of our brands.

*Value-Based Pricing.* We are able to negotiate competitive prices for users not only because of our scale, but also because of our ability to improve our ecosystem partners' operating efficiency by effectively matching demand with supply through our proprietary technology.

*Efficiency.* Leveraging our proprietary AI and big data analytics technologies, we have been continuously improving our user support efficiency and user experience through our self-developed automated instant messenger system, telephone system distribution software, and personalized search engine and recommendation system. We also use our industry-leading technologies in search and transactions of flight ticket, hotels, and accommodations to shorten search latencies and processing time, and generate relevant results efficiently to ensure good user experience. See “—Technology.”

### ***Our Value Propositions to Ecosystem Partners***

Our ecosystem partners collaborate with us for our scale, innovation, and insights and technology solutions.

*Scale.* Leveraging our open platform, we enable our ecosystem partners to gain access to our massive user base. We improve the efficiency of our ecosystem partners and conversions on our open platform through targeted online marketing and content creation tools, demand forecast data insights, dynamic pricing engines, an integrated payment system, and supply chain financing facilitation. These value-added services help expand our travel offerings with competitive pricing and elevate travel experience and service for users, thereby enabling our platform to attract those users with the strong intent to travel, which drives high conversion rates and return on investment for our ecosystem partners.

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## BUSINESS

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*Innovation.* Due to our scale, deep understanding of the industry, and proprietary technology, we not only match demand with supply, but also create new demand and drive value creation for the entire industry. For example, we have recently identified increasing user demand for short-haul trips and weekend getaways. As a result, we have introduced new product offerings to capture these emerging trends and leveraged our live streaming function to promote local attractions and activities.

*Insights and Technology Solutions.* We combine our travel insights and technology know-how to help our ecosystem partners grow their businesses. We provide our ecosystem partners with a comprehensive suite of technology solutions such as targeted online marketing tools, demand forecast and user behavior analytics models, an integrated payment system, and supply chain financing facilitation. As our partners grow their businesses, we both stand to benefit.

We offer various travel offerings such as air tickets and hotel listings to our users and charge them directly. In order to better meet users' increasing needs for diversified products and services, we allow trusted ecosystem partners to directly post their own product and service offerings on our open platform alongside products and services that are negotiated with business partners and offered by us. In substantially all of our hotel-related and air ticket-related transactions, we generally act as agent for our hotel reservation partners and airline ticket partners, and collect commissions from these ecosystem partners on products and services booked and sold through us. We allow ecosystem partners to determine the prices of their own products posted on our platform, and ensure adequate pricing competition among ecosystem partners through our open platform, thereby providing our users with a wide range of travel offerings with competitive and transparent pricing.

As our ecosystem partners increase their scale and achieve better profitability, we are able to offer products and services with better quality and value to our users, which ultimately enhances our value proposition to our users and the overall travel industry.

Our strong financial performance during the past few years has demonstrated our leading position in the travel industry in China and globally, showcasing the value that we provide for both our users and ecosystem partners. Our net revenues increased from RMB31.0 billion in 2018 to RMB35.7 billion in 2019 prior to the outbreak of the COVID-19 pandemic, and our net revenues were RMB18.3 billion in 2020. We had net income attributable to Trip.com Group Limited of RMB1.1 billion and RMB7.0 billion in 2018 and 2019, respectively, and net loss attributable to Trip.com Group Limited of RMB3.2 billion in 2020.

### OUR STRENGTHS

#### *The leading travel platform in China with growing global presence*

We have been the largest online travel platform in China over the past decade and the largest online travel platform globally from 2018 to 2020, both in terms of GMV, according to the Analysys Report. Our leadership position extends across various key travel product categories.

We possess a portfolio of leading travel brands capturing a massive number of diverse users in China and globally. Ctrip and Qunar are our flagship brands in China. Ctrip is the most recognized brand for mid- to high-income frequent travelers while Qunar is the most recognized brand for younger generations aged 24 or under in lower tier cities in China, according to the Analysys Report. By operating two distinct brands, we are able to offer our services to multiple user bases across different demographics and backgrounds, pursue differentiated marketing and business strategies, and thereby capture additional market share.

We have been focusing on improving our product competitiveness and brand recognition across all tiers of markets. In 2020, more than 40% of our new transacting users came from third- and lower-



tier cities. Our users with an annual spending of over RMB5,000 grew at a CAGR of 29% from 2014 to 2019. During the fourth quarter of 2020, our mid- to high-end hotel bookings grew more than 10%, compared to the same period in 2019.

We continue to build our global presence through owned brands and brands resulting from a number of direct investments and expand our user base in Greater China and elsewhere globally. We generate revenues from the Greater China and international markets, which are determined based on the locations of our websites and mobile applications through which our users place their orders. We identify the locations of our websites based on the URLs, and identify the locales of our mobile applications based on the languages and countries or regions selected by the users within our mobile applications. In 2018, 2019, and 2020, the aggregate revenues from international market contributed to 10%, 13%, and 7% of our total revenues in 2018, 2019, and 2020.

Currently, our global brands primarily include, Trip.com, our flagship online travel agency (OTA) platform for global travelers, and Skyscanner, a leading global travel search company. Trip.com and Skyscanner are highly synergistic as Skyscanner brings massive traffic to Trip.com and Trip.com's diverse product and service offerings enhance conversions on Skyscanner. As of December 31, 2019, international air ticketing volumes on Trip.com had been growing at triple digits year-over-year for 13 consecutive quarters. As of December 31, 2020, our products and services through Trip.com were available in 20 languages and 31 local currencies and local sites, and our products and services through Skyscanner were available in over 30 languages and 52 countries and regions globally.

### ***One-stop destination for a comprehensive suite of travel offerings***

Our one-stop travel platform supports every aspect of a traveler's journey, from browsing for inspirations, trip research and planning, to making informed decisions, travel bookings, in-destination activities, on-the-journey support, and post-travel experience sharing. We empower each individual to pursue a unique travel lifestyle by allowing one to discover and book any type of trip, such as in-destination activities, weekend getaways, short-haul trips, international vacations, and business trips.

*Breadth of offerings.* As of December 31, 2020, our platform offered over 1.2 million global accommodation offerings, covering hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels, and other properties. Our air ticketing business offered flights from over 480 airlines, covering over 2,600 airports in over 200 countries and regions. We offered over 310,000 in-destination activities around the world as of December 31, 2020. Our ever-expanding product portfolio also includes an increasing number of in-destination activities catering to users' evolving demands. As of December 31, 2019, we offered the largest number of product offerings in both airline ticketing and hotel accommodation categories in China, and maintained a leading position in packaged tours and other services since 2010, according to the Analysys Report. We are the only online travel platform in China offering such a wide variety of domestic and international travel product offerings with competitive prices, according to the Analysys Report.

*Depth of offerings.* Our one-stop platform for travel products and services covers offerings from budget to premium and includes long-tail and customized products across multiple travel categories. For a substantial number of products and services on our platform, users have access to alternative pricing and different value-added service packages offered by third-party vendors. Leveraging our extensive travel route coverage and destination insights accumulated from over 21 years of operations, we are able to offer customized tour packages that are specifically tailored to our users' needs.

*Value-based pricing.* Leveraging our scale and our ability to effectively match demand with supply to improve our ecosystem partners' operating efficiency through technological and operational empowerment, we are able to negotiate competitive prices for our users.

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*Content integration to maximize conversion.* Our content offering is an integral part of our platform and is a natural extension to our travel offerings. The rich user generated content shared by users based on their real travel experiences, and professional generated content produced by professional travel bloggers, key opinion leaders, or KOLs, and our ecosystem partners, play an important role in encouraging user engagement and interactions and converting inspiration to transaction. From the first quarter of 2020 to the fourth quarter of 2020, the quarterly average of daily visitors from our content channels, measured by numbers of mobile devices after removing duplicates, increased by over 80%, and the quarterly average of daily time spent on information feeds per visitor increased by over 100%. As of December 31, 2020, we have introduced over 60,000 products through our live streaming platform and we achieved over RMB5 billion GMV in 2020. For the year ended December 31, 2020, over 40% of the users who transacted on our live streaming channels had made at least two purchases.

With our one-stop travel platform, we have been able to tighten our connection with users, inspire their travel interests, cross-sell a broad-range of travel and in-destination products and services, and gain more travel insights. For the year ended December 31, 2020, over 20% of our users who had made air ticketing reservations also made accommodation reservations within 15 days. Our authentic, immersive, and rich content allows us to attract new users to our platform while enhancing stickiness of our existing users. This also forms a virtuous circle where we attract users to our platform through the constantly refined content, products, and services, which in turn bring in more content to attract more users and ecosystem partners, leading to our sustainable growth.

### *User centricity throughout the journey*

Over the years, we have consistently focused on improving our products, services, and technology to ensure personalized, convenient, enjoyable, and inspirational travel experience.

### *Before the Trip*

Easy access. Our users gain access to our products and services online and offline, and through our ecosystem partners. For the year ended December 31, 2020, over 90% of our total transactions were completed through our mobile channels. As of December 31, 2020, we also served our users through approximately 6,000 offline stores operated under an asset-light model in over 300 cities in China. Our offline stores help better serve users in lower-tier cities in China and users who prefer traditional offline interactions.

Personalized recommendation. We offer our users personalized content feeds and recommendations, enabling them to develop their ideal travel plans effortlessly.

### *Booking*

Transparency. We present pricing information, value-added services, and refund and return policies in a clear and prominent manner for each product and service offering on our platform and allow users to opt out of the booking easily and conveniently. The transparent presentation is further complemented by technologies such as virtual reality tours of hotel rooms to enable our users to make well-informed travel decisions.

Convenient and frictionless transaction. Empowered by our search and transaction engines, we offer our users real-time updates on pricing and availability for millions of flight routes, accommodation listings, packaged tours, and in-destination activities around the world, as well as diverse and flexible payment options.

### *During the Journey*

A safe and pleasant journey. We value our users' varying demands and offer flexible reservation change and refund policies to safeguard their economic interests and ensure a smooth travel experience during the entire journey. We are able to inform our users of potential changes in their travel schedules in a timely manner leveraging our proprietary traffic forecast and flight delay prediction algorithms, enabling users to make timely adjustments to their travel plans.

Global 24/7 user support. Our care for our users extends beyond their transactions on our platform to whenever our users encounter emergency situations during the journey. We have seven customer service centers located in China and abroad and offer 24/7 user support leveraging our ChatBot and Voice Robot technology.

### *After the Trip*

Continued engagement for consistent enhancement. We have provided an intuitive interface for users to rate and share reviews of the travel products that they purchase from our platform. Leveraging our intelligent analytics capabilities, we have been constantly refining our user review framework to improve authenticity, objectivity, and relevance of our review and rating system. This leads to a feedback loop for us to refine our products and services, which in turn helps users make well-informed travel decisions.

### ***Proprietary technologies underpinning our entire operations***

Technology is integrated into every aspect of our business operations. Our proprietary AI, big data analytics, and cloud-based technologies allow us to transform the massive transaction volume and travel insights on our platform into business intelligence and operating know-how, which we use to constantly enhance our products and services and our operational efficiency.

*Customized product curation.* Our industry-leading big data and AI capabilities, coupled with travel insights accumulated from over 21 years of operations, allow us to promptly capture evolving user preferences and provide customized product offerings. For example, when outbound travel was curbed by the COVID-19 pandemic, we were able to identify the surging demand in boutique travel products among domestic Chinese travelers and update our offerings to encourage and capture that demand.

*Real-time travel alert.* A crowded destination can greatly undermine a traveler's experience. Leveraging our big data analytics technologies, we are able to formulate a real-time heat map that illustrates where travelers are heading and consistently monitors the capacity at a vast majority of travel destinations in China. As a result, we are able to offer real-time traffic and capacity updates, which improve user experience.

*Operating efficiencies.* Our advanced and centralized searching technology enables significant cross-selling opportunities on our platform. Our data-driven operation management process enables us to achieve significant cost savings. For example, as of December 31, 2020, we had achieved a close to 75% automation rate in user support for our Ctrip mobile application, which significantly reduces our user support cost.

### ***Ecosystem empowering travel partners***

We provide our ecosystem partners with a comprehensive suite of technology solutions such as targeted online marketing, demand forecasting, travel insights, and an integrated payment system, and

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we facilitate supply chain financing for them. Our partners are able to reach a larger scale of potential users efficiently through our platform, gain access to increasing demand, improve conversion through our targeted marketing, and achieve optimized pricing and inventory planning.

The scale of our platform and massive user base allow us to drive a flywheel effect in terms of demand matching and creation. Empowered by real-time travel and transaction insights and predictive models, we are able to recommend users relevant value-added products or services, while simultaneously promoting targeted services on behalf of our partners. For example, we create demand for partners on our platform by recommending in-destination activities and local experience products to users on short-haul trips. We also encourage our users to share their experiences on our platform, which can further promote our partners' products and services. This, in turn, creates more transactions and travel insights to help us offer more relevant recommendations for our users and empower our partners even more effectively in the future.

Our win-win collaboration helps us attract ecosystem partners and create value for the entire travel industry. As a result, we have become the partner of choice for domestic travel brands to reach global travelers, and as the largest outbound travel platform in China in terms of GMV according to the Analysys Report, we provide international travel brands with unique access to the massive Chinese user base. Overall, we have accumulated a massive number of travel partners to our platform, establishing our leading positions in both the transportation and accommodation online travel markets, with over 1.2 million global accommodation listings, over 480 airlines, and over 30,000 other ecosystem partners on our open platform as of December 31, 2020.

### *Management team with extensive industry experience and entrepreneurial culture*

We benefit from the vision and experience of our senior management team. Key members of our management team include Mr. James Jianzhang Liang, our co-founder and executive chairman of the board, Mr. Min Fan, our co-founder and vice chairman of the board and president, Ms. Jane Jie Sun, our chief executive officer, and Ms. Cindy Xiaofan Wang, our chief financial officer. Our senior management has decades of experience in information technology and travel management. As pioneers in leading the China travel sector's digital transformation, our management team brings with them passion and conviction for the growth prospects of China's travel industry.

## OUR STRATEGIES

We operate our business with local focus and global vision. We will continue to refine and iterate our products and services, innovate our business model and technologies, and drive value creation for all the travel industry stakeholders in China. In the meantime, we plan to remain keenly focused on building our global presence for users within China and the expanding user base outside China. We believe that we are well-positioned to replicate our success in China and globally leveraging our extensive operating know-how and travel partnership network.

### *Expand our one-stop travel offerings*

Our one-stop travel offerings are pivotal to our business and growth. We are committed to constantly incubating new ideas and deepening our existing travel offerings to cater to evolving user needs and preferences. We plan to attract more diversified and high-quality ecosystem partners to our platform to expand our product categories and service offerings, which enables more personalized and tailored offerings to allow us to capture the growth of the quality leisure market. We will also broaden the scope of the collaborations with our ecosystem partners to upgrade our existing product portfolios to provide more in-depth travel experience, incubate products in higher frequency categories such as weekend and local trips and in-destination activities, and further expand accommodation experiences

beyond room offerings, such as dining, spa and resort activities. In addition, we intend to expand our offerings in budget hotel segments and leverage our offline network to better serve the travel needs of the mass user base in China, especially in lower tier cities. At the same time, we are committed to ensuring quality control by strictly following the screening and onboarding process for our ecosystem partners while we expand our one-stop travel offerings.

Our ecosystem partners choose to collaborate with us because of our scale as well as the comprehensive suite of technology solutions that we offered. We will continue to empower our ecosystem partners to offer more diverse and innovative products for our users through providing enhanced technology solutions in areas spanning across traffic acquisition, content recommendation, effective product and services marketing, and technology infrastructure and data capabilities to allow them to bring the right offerings to the right users.

### ***Upgrade our content capabilities***

We plan to drive sustainable long-term growth by continuing to upgrade our content capabilities. Content has been an organic and integral part of our business and we have adopted a three-step approach in upgrading our content capabilities. We will continue to enhance content display, introduce more diversified and creative content formats such as image-embedded reviews, short videos, and livestreaming, and deliver the most relevant content to users. We plan to offer more innovative content production tools and set up more efficient content distribution mechanisms to encourage every user, professional traveler, and ecosystem partner to share and interact on our platform, which further improves user stickiness. We intend to focus on improving the integration of product, content, and marketing functions to introduce more content-based products. The breadth and depth of the travel offerings on our platform allow us to link travel content and inspiration with products and further improve content-to-product conversion. In addition, we will continue to enhance our live streaming capabilities to empower ecosystem partners and help them unlock additional user growth. We will encourage our ecosystem partners such as tourism bureaus, hotels, and theme parks to engage with users directly on our content platform, which allows them to conduct effective marketing, build stronger brand images, and unlock user acquisition potential. This opens up additional advertising revenue opportunities for us and allows us to become the hub for tourism marketing.

### ***Further improve our service quality***

We are devoted to enhancing our one-stop service capabilities to provide more transparent, frictionless, and pleasant experiences to our users throughout their journey by better integrating our user support with our transaction platform and empowering our ecosystem partners to provide better products and services. Health and safety have become increasingly crucial to users following the outbreak of the COVID-19 pandemic and will continue to prevail in the travel industry after the pandemic, according to the Analysys Report. We will continue to improve our support throughout the entire journey. We aim to offer more useful information about the travel destinations including culture, weather and tips to users before the journey. During and after the trip, we will continue to enhance our ability to alert users of potential health and safety risks relevant to the trip, expand the service categories on our SOS channels with more timely responses, and leverage our virtual tour assistants to address on-the-go questions. We also plan to adopt more flexible reservation change and refund policies to allow users to change their travel schedules more conveniently without canceling the entire journey.

In terms of quality control, as user reviews are essential for us to evaluate our ecosystem partners' services and guide them in their product and service upgrades, we will continue to refine our user review framework and expand multi-language support to improve the quantity and quality of the reviews that we receive and to reduce fraudulent reviews. In addition, we plan to further enhance our



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quality control framework and internal rating system for ecosystem partners in terms of new partner selection, promotion of partners with good product and service quality, and penalty and termination mechanisms for under-performing ecosystem partners.

### *Continue to invest in technology*

Technology is essential for us to offer one-stop travel products and services. We will continue to make prudent investments in research and development and attract talent in technological areas that will enhance our travel offerings, help us better empower our ecosystem partners and improve our operating efficiency. We will integrate our back-end technologies to further standardize the quality of our product offering and improve the consistency of service experiences for our users across the globe.

We will continue to invest in our technologies in personalized recommendation, content creation and distribution, and automated user support to further improve user experience. We also intend to continuously invest in AI, big data analytics, and cloud technologies to better empower our ecosystem partners in the areas of product and service innovation, demand forecasting, and quality control. We believe that our continued investments in technology will not only help us improve our operating and cost efficiency, but also improve our user experience and service quality.

### *Enhance our global leadership*

We focus on establishing our global leadership in the long term. We will follow a three-step strategy in pursuing global expansion, including (i) solidifying our leadership in China's outbound travel market, (ii) increasing our global travel offerings and enhancing our ability to provide more diverse in-destination experiences globally, and (iii) becoming the go-to destination for all users globally. We will continue to expand our Trip.com brand in international markets, especially in Asia, and enhance the integration of Skyscanner with Trip.com to drive additional growth for both platforms.

We are also looking to strengthen our collaboration with global partners and prudently make selective acquisitions or investments in other global markets where our operating know-how can create significant synergies. As of the Latest Practicable Date, we had not identified any potential acquisition targets and did not have any ongoing negotiations relating to potential acquisitions.

## OUR INNOVATION

We believe that our success is attributable to our continuous innovations, our innovative business model, and our strength in technologies. Our track record of innovations and our continued success in a competitive industry are widely recognized.

We have a strong track record of continuous innovation in our business model, which has resulted in our ability to provide a comprehensive suite of travel products and services to our users since our founding. Established in 1999, we were one of China's earliest online travel transaction platforms, and have been the largest online travel platform in China over the past decade and the largest online travel platform globally from 2018 to 2020, both in terms of GMV, according to the Analysys Report. We responded to the pain points of the then under-served business and leisure travelers in China, and seized the large opportunity offered by the ongoing offline-to-online transformation of consumer habits. For the past two decades following our inception, we have been continuously promoting the transformation of the travel experience and driving the adoption of online- and mobile-based one-stop travel bookings solutions for leisure and business travelers in China and globally. We aggregate hotel and transportation information to enable leisure and business travelers to make informed and cost-effective bookings. We also pioneered the development of an online reservation and fulfillment infrastructure that enables our users to explore, search, reserve, and



purchase hotel room nights, transportation tickets, and packaged tours, as well as in-destination activities and other value-added services through our mobile applications and websites in China and globally.

In addition, we have been continuously evolving and expanding our high-quality service offerings. In 2018, acknowledging the huge potential of online content platforms, we were one of the first among our peers to launch an online travel content sharing platform, which allows our users to discover, explore, and share travel-related content featuring destinations, travel experiences and tips, thereby making informed travel decisions and enhancing their travel experiences. Our content offering is an integral part of our platform and is a natural extension of our product and service offerings. At the beginning of 2020, we launched our live streaming program to promote travel destinations across China with the latest deals on hotels, flights, in-destination activities, and more. In the live streaming program, users can interact with hosts real-time. We created this brand-new content-focused business model in the travel industry to inspire users on their travel ideas, engage our users, attract new users, and rekindle users' love for travel during the travel restriction period during the COVID-19 pandemic.

We leverage our proprietary technologies to provide leisure and business travelers with a personalized one-stop destination for travel products and services globally. Our users come to our platform for their travel-related needs through our multi-lingual mobile applications, websites, or user support centers. At the same time, we empower our massive ecosystem partners with our technology solutions and connects them with our global user base. We further improve the efficiencies of our ecosystem partners and conversions on our platform through targeted online marketing and content creation tools, demand forecast data insights, dynamic pricing engines, an integrated payment system, and supply chain financing solutions. These value-added services help transform travel experiences and elevate services for our users at scale.

We have also demonstrated our unique ability to continually use technologies to offer novel features, improve user experience and maintain our leadership position in travel industry innovations. Our leading technology platform is distinguished by advanced AI, big data analytics, and other core proprietary technologies, including:

- ***Intelligent, cloud-based, automated, highly efficient, and omni-channel user support solutions.*** Our user support cloud platform is developed on both public and private clouds to optimize operational efficiency. This cloud-based architecture enables us to support our users in times of traffic spikes, minimize down time, and ensure consistent availability to our users. Our technology also leverages an accumulated knowledge base of pre-existing support issues to enable 24/7 user support through ChatBot and Voice Robot. By using natural language processing and deep learning technologies, we have been continuously improving our user support efficiency and user experience. Moreover, we provide user supports online and offline and through multiple channels such as calls, instant messaging, emails, and social networks, in multiple media formats such as voice, text, image, and video. The diversity of our user support offerings ensures that users can find answers to their queries through a channel that is best suited for their needs.
- ***Innovative applications of big data and AI.*** Our platform generates a massive amount of travel-related data. We leverage various big data and AI technologies such as natural language processing, speech recognition, computer vision, and conversational AI, to inform various applications such as traffic forecasting, civil aviation big data analysis, flight delay prediction, and a tourism knowledge graph, among others. The application of the big data and AI technologies benefits not only the users, but also our ecosystem partners. For the users, the technologies enable optimized search rankings, personalized recommendations, a streamlined user experience, and enhanced user engagement and

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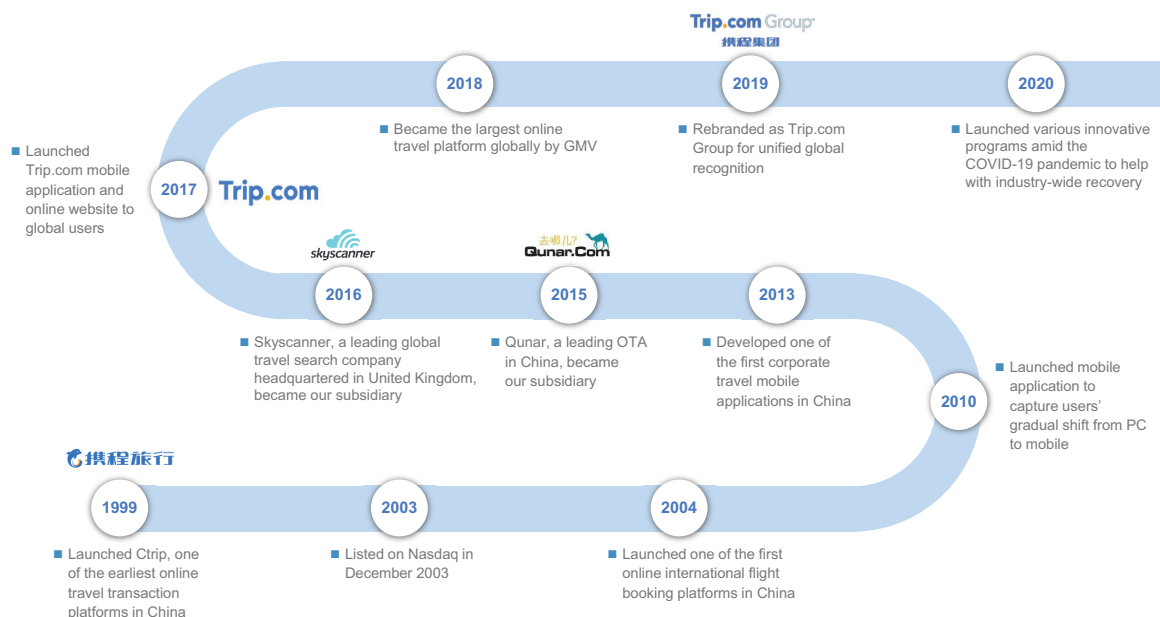
experience on the platform for user-generated short-video content. For the ecosystem partners, these technologies empower highly effective and precise marketing and optimize operating efficiency based on traveler propensity analysis and accurate demand predictions.

- **Proprietary search and transaction engines.** To improve the efficiency of our service platform and expand our business opportunities, we apply industry-leading technologies in search and transactions of flight ticket, hotels, and accommodation, which contributed to the success of our core business. These technologies are able to process massive amount of data that cover the global product offerings available on our platform, use optimized algorithms to reduce computational cost, shorten search latencies and processing time, and generate relevant results efficiently to ensure good user experience.

### OUR KEY BUSINESS MILESTONES

Over the past two decades, we have evolved from an emerging online travel transaction platform into a leading one-stop travel platform integrating a comprehensive suite of travel products and services and differentiated travel content to make travel effortlessly enjoyable.

The following diagram illustrates the expansion of our travel offerings since our inception.



### OUR PLATFORM

Our one-stop travel platform connects our users and our ecosystem partners. Leveraging our industry-leading AI capabilities and travel insights accumulated over the past over 21 years, we have evolved from an emerging online travel transaction platform to a one-stop travel platform integrating a comprehensive suite of travel products and services and differentiated travel content. Our platform aggregates our product and service offerings, reviews and other content shared by our users based on their real travel experiences, and original content from our ecosystem partners to enable leisure and business travelers to have easy access to enjoyable travel experiences and make informed and cost-effective bookings.

As a result of our leading position in travel markets and our vast user base, our platform has attracted a massive number of ecosystem partners across multiple sectors, including accommodation

reservation, transportation ticketing, packaged tours, and in-destination activities. We provide our ecosystem partners with a variety of technology-enabled solutions and help them establish an online presence, access our massive and global user base, and engage with users in real time. In addition, since 2018, we have been rolling out content sharing features on our platform, which allow users to discover, explore, and share travel-related content featuring destination reviews and travel experiences and tips, thereby further enriching the ecosystem surrounding our platform.

### **Omni-Channel Touchpoints for Users**

We are the go-to travel platform for travelers in China and increasingly so in target markets around the world. We are committed to providing each user with a personalized, convenient, enjoyable, and inspirational travel experience.

**Online Channels.** Our online channels consist of our mobile applications, other mobile access channels, and websites. We pioneered the development of an online reservation and fulfillment infrastructure that enables our users to explore, search, reserve, and purchase travel products and other value-added services through our online channels in China, and have continued to expand globally. For the year ended December 31, 2020, over 90% of our total transaction orders were executed through our mobile channels. We maintain our main sites of Ctrip and Qunar in China, and over time, we have established localized sites for users outside China. As of December 31, 2020, our products and services through Trip.com were available in 20 languages and 31 local currencies and local sites, and our products and services through Skyscanner were available in over 30 languages and 52 countries and regions globally.

We offer personalized home pages based on user profiles or past transactions and display travel products and services based on geolocation and other travel insights. While placing an order, users are prompted with options to customize their trips with packaged deals or additional value-added services for their convenience, such as travel insurance, car rental, or hotel deals. All products and services are shown with full price transparency. Our itinerary management tools enable users to review and manage their orders and itineraries. We encourage users to submit ratings, reviews, and recommendations to our platforms during their trips and after they return from their trips. Leveraging our content sharing feature, users are inspired by new travel ideas, make informed travel decisions, and share their travel experiences in an engaging community.

**Offline Channels.** In addition to our seven customer service centers located in China and abroad, we are expanding our offline footprint to open up offline stores with our business partners to better serve our users who prefer an in-person experience. In our offline stores, we provide users with one-stop services, such as travel consultation services and other local support and assistance. In addition, our offline stores are expanding to lower-tier cities in China to cover a massive user base with different purchase and consumption habits, experiences, and needs. As of December 31, 2020, we had approximately 6,000 offline stores operated under an asset-light model across over 300 cities in China.

**User-Centric Approach.** Our users are at the center of our business's philosophy and operations. Since our inception, we have constantly focused on building trust with our users and creating a more personalized, convenient, enjoyable, and inspirational travel experience. We provide a broad spectrum of travel products and services that accompany our users throughout their entire journey, from idea inspiration, trip research and planning, to informed decision-making, travel booking, in-destination activities, on-the-journey support, and post-travel sharing of travel experiences. We consistently refine our product interfaces to enable an increasingly frictionless booking experience for our users with full transparency in pricing, terms, and value-added services. We extend good care for our users by providing 24/7 user support all along their trips.

**Open Platform for Ecosystem Partners**

We pioneered the adoption of an open platform business model to attract and facilitate customized travel offerings by a wide range of ecosystem partners covering various sectors in the travel vertical. Our open platform strategy enables us to better meet users' increasing needs for diversified, niche, and specialized travel resources by allowing trusted ecosystem partners to join our open platform and directly post their own product and service offerings on our platform alongside products and services that are negotiated with business partners and offered by us. We believe that with our open platform, we could build effective connections with our ecosystem partners and our users.

We have a large and diverse ecosystem partner base, including hotels and other accommodation providers, airlines and other air ticket partners, train ticket partners, car rental companies, bus operators, ferry carriers, other travel agencies from whom we source travel products and services, and value-added service partners. We also opened up our platform to international partners, search engines, e-commerce platforms, and other channels to expand their business opportunities and increase the offerings available to our users. As of December 31, 2020, our open platform provided over 1.2 million global accommodation listings, offered flights from over 480 airlines, and had a network of over 30,000 other ecosystem partners.

We aim to facilitate and empower ecosystem partners with a variety of technology-enabled solutions and travel insights to provide the best one-stop, customized travel experience for our global users at scale. We help our ecosystem partners establish online presence, access our massive, global user base, and engage with our users in real time. We further improve the efficiencies of our ecosystem partners and facilitate user conversions on our platform through targeted online marketing and content creation tools, demand forecast, travel insights, dynamic pricing engines, an integrated payment system, and supply chain financing facilitation. We enhance our price competitiveness by improving the matching efficiency of our IT system and by working closely with our ecosystem partners through the open platform to ensure that our users are provided with high-quality travel products and services. Our ability to precisely match demand and supply and exceptional value propositions to ecosystem partners, combined with the scale of our platform, enables us to negotiate the best price for value for our users. We seek to build and maintain long-term, strategic relationships with our ecosystem partners.

***Selection of Ecosystem Partners.*** We carry out a rigorous ecosystem partner selection process to ensure high-quality product and service offerings to our users. When determining whether to accept a prospective ecosystem partner to our open platform, we take into account various factors, including reputation, industry expertise and know-how, price competitiveness, and track record of delivering high-quality products and services. We also have streamlined the contracting process for ecosystem partners by using an e-contract system on our open platform. Our ecosystem partners can promptly complete the whole contracting process after we finish the qualification screening process of each ecosystem partner.

***Empowering the Ecosystem.*** We empower our ecosystem partners with access to our massive user traffic, technology solutions, and deep travel insights we have accumulated over the years, to match different users' needs and product and service offerings. As part of the ancillary value-added services we provide to our ecosystem partners, we use our travel insights to help them develop innovative products and services to meet users' evolving needs and optimize their product pricing and inventory management. We believe that this helps us build stronger ties with existing ecosystem partners and attract new ecosystem partners.

***Quality Control.*** We set high service standards and constantly manage product and service quality of our ecosystem partners through screening and ratings. We believe that it is our obligation to

build a fair, open, and impartial competitive environment on our open platform. We leverage big data analytics to consistently monitor our ecosystem partners' performance based on user feedback. Ecosystem partners with good performance will be rewarded, while those with negative reviews will be flagged for improvement.

We will continue to upgrade our open platform to empower our ecosystem partners to offer the most diversified products for our users, through providing enhanced support in traffic, content, product and services, marketing, technology infrastructure, and data capabilities and enhancing our collaboration and exploring new business models based on our industry know-how. As we continue to globalize our business, we will involve more overseas ecosystem partners to ensure that we provide the best services for our growing global user base.

### **One-Stop Travel Offerings**

We offer our users a variety of products and services encompassing every aspect of a journey on our one-stop travel platform. We provide a range of accommodation reservation offerings covering a broad range of hotels and alternative accommodations, and transportation ticketing offerings covering different modes of transportation in China and globally, and catering to varying user preferences. Our diversified product portfolio also includes bundled packaged-tour products and a wide range of in-destination activities that enable our users to enjoy a unique experience while in their destinations. Users can find their preferred products and services whether they are traveling locally or internationally, for work or for pleasure, for day trips or extended stays. Our on-the-journey travel services are available online and offline and through multiple channels 24 hours a day, seven days a week, which accompany users throughout their entire journey. We are able to inform our users of potential changes in their travel schedules in a timely manner leveraging our proprietary traffic forecast and flight delay prediction algorithms, which enable users to make timely adjustments to their travel plans. We actively monitor and assess user feedback and user willingness to recommend our products and services to others.

As a natural extension to the product and service offerings, we also offer a wide range of appealing, high-quality travel-related content on our platform, including pictures, short videos, live streaming, trip reviews, and travel guides, which enable our users to discover, explore, and share travel-related content, and thus to make informed travel decisions and enhance their travel experiences.

Our ever-expanding travel products and services, together with diversified content contributed by our users and ecosystem partners, allow us to enhance stickiness of our existing users and attract new users and new ecosystem partners, which in turn enables us to bring more long-tail and customized product, service, and content offerings onto our one-stop platform.

### **OUR PRODUCTS AND SERVICES**

We offer accommodation reservation, transportation ticketing, packaged-tour, and corporate travel management services, as well as other travel-related services to meet the various booking and traveling needs of both leisure and business travelers through our one-stop travel platform. We began offering accommodation reservation and transportation ticketing services in October 1999. Over the past two decades, we have been driving the transformation of travel experience and the adoption of online- and mobile- based travel booking solutions for leisure and business travelers in China and globally. We capture evolving user preferences and provide diverse travel content and a full spectrum of travel products and services to make travel effortlessly enjoyable. In addition, we offer various other products and services, including packaged-tour and in-destination activity products and services, corporate travel management services, and other travel-related services, such as car services, travel-related financing and insurance, and visa services to meet the various booking and traveling needs of



both leisure and business travelers. Our users also have access to massive amount of both user-generated and professionally-generated content through personalized content feeds and our easy-to-use search tools.

### **Accommodation Reservation**

Users can search, compare, and book accommodations on our platforms based on their destination and detailed stay preferences, and may further filter and sort search results by price range, star category, location, brand, and amenities. We also augment our accommodation reservation offerings with a wide library of traveler ratings, reviews, recommendations, and tour guides. As of December 31, 2019, we provided the largest number of hotel accommodation offerings in China, according to the Analysys Report.

We act as an agent in substantially all of our hotel-related transactions. We generate substantially all of our accommodation reservation revenue through commissions from our hotel reservation partners through our platform. We recognize revenues when the reservation becomes non-cancellable, which is the point considered when we complete our performance obligation in accommodation reservation services. Contracts with certain hotel reservation partners contain incentive commissions that are typically subject to specific performance targets. We generally receive incentive commissions from hotels through monthly arrangements based on performance targets of accommodation reservations where our users have completed their stay.

We contract with hotel partners for rooms under two agency models, the “guaranteed allotment” model and the “on-request” model. Under the “guaranteed allotment” model, a hotel guarantees us a specified number of available rooms every day, allowing us to provide instant confirmations on such rooms to our users before notifying the hotel.

For the year ended December 31, 2020, hotel reservations in which we have a guaranteed allotment arrangement accounted for a significant portion of our total hotel reservations in terms of GMV. With the remaining hotel partners, we book rooms on an “on-request” basis, meaning our ability to secure hotel rooms for our users is subject to room availability at the time of booking.

As of December 31, 2020, we provided over 1.2 million global accommodation listings, covering a broad range of hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels, and other properties.

### **Transportation Ticketing**

Users can search and book transportation tickets via our online platform and customer service centers. Our search functions allow users to narrow search results by specifying preferences, such as time and mode of transportation, and we leverage our data analytics capability to help them book tickets that best suit their travel needs. As of December 31, 2020, our far-reaching transportation ticketing network covered over 200 countries and regions. We make every effort to ensure a smooth trip for our users with our convenient and reliable booking and payment system.

#### ***Air Tickets***

We sell air tickets as an agent for substantially all domestic PRC airlines and major international airlines operating flights. As of December 31, 2020, we offered flights from over 480 global airlines, covering over 2,600 airports in over 200 countries and regions. Our air ticket booking engines source real-time availability and pricing information from “direct connects” to airlines’ booking systems and the global distribution system (GDS), a computerized network system that has real-time link to our ecosystem partners’ inventory. As of December 31, 2019, we provided the largest number of airline ticketing offerings in China, according to the Analysys Report.



In addition to selling air tickets, we also offer various options and services to help users travel with ease. Powered by our advanced route planning algorithms and extensive travel supply, users can customize their trips by combining two or more of our core travel products, such as air tickets and hotels, which are typically offered as a package at discounted rates. We also provide travel insurance products, such as flight delay insurance, air accident insurance, and baggage loss coverage, and various ancillary value-added services built around users' air travel needs, such as air-ticket delivery, online check-in and seat selection, express security screening, real-time flight status tracker, and airport VIP lounge services.

### ***Other Tickets***

Other tickets covered by our transportation ticketing service include train, long-distance bus, and ferry tickets. In connection with such ticketing services, we also offer various other ancillary value-added travel products and services that are designed to streamline the ticketing process.

### **Packaged Tours and In-Destination Activities**

We offer independent leisure travelers bundled packaged-tour products and a wide range of in-destination activity products and services, catering to our users' evolving demands.

#### ***Packaged Tours***

We offer our users a wide range of bundled packaged-tour products, including group tours, semi-group tours, customized tours, and packaged tours with different transportation arrangements, such as by air, cruise, bus, and car rental, covering a variety of domestic and international destinations. For example, we focus on securing diverse boutique travel products domestically, such as combinations of themed hotels and dining. We provide integrated transportation and accommodation services and offer a variety of value-added services including transportation at destinations, attraction tickets, local activities, insurance, visa services, and tour guides. We also provide high-quality user support, supplier management, and customer relationship management services to packaged-tour providers.

#### ***In-destination Activities***

Destinations are often defined by the activities available upon arrival. Over the years, users are seeking more novel experiences and are eager to do more memorable activities in the destinations. Driven by the rise of experiential travel, we offer a variety of in-destination products and services, such as in-destination dining and shopping, day tours of popular tourist destinations, attraction and show tickets, customized tour guide services, and virtual tour assistant. Users not only have a plethora of options for what and when to book in-destination activities, but also can book at the last minute in a quick and straightforward manner on our platform. As of December 31, 2020, we offered over 310,000 in-destination activities around the world.

### **Corporate Travel Management**

In addition to serving individual users, we also serve corporate clients with similar products and services to help them plan business travel in a cost-efficient way. We provide our corporate clients with business visits, incentive trips, meetings and conferences, travel data collection and analysis, industry benchmarking, cost savings analysis, and travel management solutions. We have independently developed our Corporate Travel Management System, which is a comprehensive online platform integrating information management, online booking, online authorization, online inquiry, and travel reporting systems.

### **Other Travel-Related Services**

Our other travel-related services primarily include online advertising and financial services. We provide effective and precise marketing planning and travel media services to our ecosystem partners, as well as a wide range of advertising services to pan-industry brand partners. Based on our travel product and service offerings, massive user base, and industry value chain, we also have obtained necessary licenses to facilitate users and ecosystem partners on our platform with our financial services, which mainly cover consumer financing to provide our users with value-added financial services, including travel installment plans and credit consumption solutions, supply-chain financing to provide our ecosystem partners with customized microfinance solutions, and a range of other digital financial solutions.

### **Content Offerings**

We consolidate and aggregate travel-related content for our users to help them get inspired by new travel ideas, make informed travel decisions, and share their travel experiences. Our users have access, through personalized content feeds and our easy-to-use search tools, to a massive amount of both user-generated content shared by travelers based on their real travel experiences and enriched professionally-generated content including our official selections and content produced by professional travel bloggers, KOLs, and our ecosystem partners.

**Reviews.** We provide our users with a vast amount of detailed, authentic, and transparent information on our product and service offerings based on our users' in-depth reviews and detailed ratings. We have been constantly refining our user review framework to improve authenticity, objectivity, and relevance of our review and rating system, creating a feedback loop for us to refine our products and services, enhance users' search experience, and enable them to rely on us for making well-informed travel decisions.

**Community.** Our community integrates the online travel content sharing features on our platform with our product and service offerings, so that our users can discover, explore, and share travel-related content such as destination travel experiences and tips. In addition, leveraging our AI technology and travel insights, we are able to push tailored recommendations to our users while they are browsing through our community.

**Selections and Recommendations.** We provide our users with diversified lists of selected and recommended product and service offerings, such as popular destinations, themed activities, restaurant guides, and special deals. Our selections and recommendations help inspire our users' next great getaway, from long weekend escapes to must-see destinations and to bucket-list adventures from around the globe.

**Live Streaming.** In March 2020, as part of our novel product initiatives during the COVID-19 pandemic, we launched our first mobile BOSS live streaming event featuring a live tour by our management team and Trip.com live streaming series. Since then we have upgraded our live streaming channel into a platform with integrated resources and top-quality content. In addition to our official channel, our live streaming platform also hosts rich professionally-generated content contributed by professional travel bloggers, KOLs, and our ecosystem partners. We have collaborated with leading international hotel brands to offer our users attractive discounts on luxury hotels through live streaming. Our live streaming has also showcased destinations around the world with featured international travel products, attracting millions of views by our users.

The screenshots below are our content offering interfaces:



## User Support

We provide user support online and offline through multiple channels such as calls, instant messaging, email, and social networks, in multiple media formats such as voice, text, image, and video, 24 hours a day, seven days a week. As of December 31, 2020, we had seven customer service centers located in China and abroad, such as Shanghai, Nantong, Guangzhou, Manila, Tokyo, Seoul, and Edinburgh. These customer service centers are staffed with in-house travel specialists who have participated in a formal training program before commencing work. We also provide industry-leading comprehensive aftersales services including one-stop aftersales support, pre-travel warnings, major incident compensation, a special situation refund policy, and emergency support, among others. We have invested significantly in our call center technologies, including our self-developed instant messenger system, telephone system distribution software, and data encryption technology, and provide top-notch services globally. The diversity of our user support offerings ensures that our users can find answers to their queries through a channel that is best suited for their needs.

Our technologies leverage an accumulated knowledge base of pre-existing support issues to enable automated, online user support. By using natural language processing and deep learning

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technologies, we have been continuously improving our user support efficiency and user experience. For example, based on our own and external data such as weather and flight changes, we apply machine learning technologies to predict user call volume and plan our user support schedules accordingly. As of December 31, 2020, we had achieved a close to 75% automation rate in our user support for our Ctrip mobile application, which significantly reduces our user support cost.

In 2016, we launched the first travel safety center in China. The service center established seven innovative mechanisms to provide travelers with more protection, including the application of the global supplier travel safety standards, travel warning centers, a global travel destination emergency assistance mechanism, major disaster protection funds, a special reason cancellation policy, global travel insurance and rescue services, and a tour guide responsibility mechanism. We provide our users with travel insurance service including insurance consultation and claim settlements, from delayed and cancelled trips to accidental injury treatment, through one of our consolidated entities with insurance license, helping our users effectively avoid risks, recover a large amount of losses and expenses, and provide medical assistance in emergency situations.

In 2017, we launched the first global travel SOS service in China. Users who book a trip from our platforms have access to 24/7 emergency support. The SOS service currently covers three major categories: (i) support in emergencies such as natural disasters and terrorist attacks, (ii) support in case of injury or illness during the journey, including assistance in medical treatment, delivery of medicines, and translation services, and (iii) assistance provided when valuables are lost during the journey, including assistance in the recovery of lost property and eventually bringing the property back to the home country.

We constantly monitor and handle complaints from our users. Our users may lodge a complaint online, offline, or through third-party organizations, such as consumer associations. To ensure that user complaints and queries are dealt with in a timely, professional, and consistent manner, we have an internal complaint handling manual setting out various procedures for our customer service representatives to properly handle users' complaints, including clearly understanding the content of the complaint, recording the complaint, evaluating whether the complaint request is reasonable and the emergency degree of the complaint, and providing solutions to the user. We generally require the customer service representatives to respond to the user within 10 minutes for emergency events and within 30 minutes for general events. Our customer service team also work closely with other operation teams to ensure material matters are reflected in the upgrades of our platform, thereby reducing recurrence of same kinds of complaints.

## TECHNOLOGY

Since our inception, we have been able to support substantial growth in our online and offline traffic and transactions with our technology and infrastructure. We have built a high-performance, reliable, scalable, and secure IT infrastructure to support nearly every aspect of our business, including our one-stop travel platform, mobile and website operations, and customer service centers. We believe that the technology used throughout our platform distinguishes us from our competitors in China in the following aspects.

### AI and Big Data

Our leading technology platform is distinguished by advanced AI, big data analytics, and other core proprietary technologies. Our platform processes a massive amount of travel-related data. We leverage various big data and AI technologies such as natural language processing, speech recognition, computer vision, and conversational AI, to inform various applications such as traffic forecasting, civil aviation big data analysis, flight delay prediction, and a tourism knowledge graph, among others. The

application of the big data and AI technologies benefits not only our users, but also our ecosystem partners.

For our users, our technologies enable optimized search rankings, personalized recommendations, a streamlined user experience, enhanced user engagement, and the sharing and viewing of user-generated content. Our user support cloud platform is developed on both public and private clouds to optimize operational efficiency. The core technologies underlying our user support include (i) CtripIM, a self-developed instant messenger system which offers a streamlined problem-solving process, (ii) Softswitch, which enables us to securely encrypt users' displayed phone numbers to prevent leakage of sensitive user information, and (iii) SoftPBX, a telephone system software that distributes calls through the intranet to different operators after the user's phone call is connected. The strength of these underlying technologies enables us to handle user requests more efficiently, support our users in times of traffic spikes, enhance system stability, and ensure consistent availability to our users.

For the ecosystem partners, our technologies enable highly effective and precise marketing and optimize operating efficiency based on traveler propensity analysis and accurate demand predictions. We offer a variety of solutions to our ecosystem partners, such as (i) E-booking System for accommodation partners, which provides standardized information input to accommodation partners to digitalize their offerings in a clear and easy-to-follow fashion, and (ii) pricing error monitoring system for airfare, which detects flight tickets with abnormally low fares (bug fares) using anomaly detection models based on massive historical and real-time airfare data.

### **Proprietary Search and Transaction Engines**

To improve the efficiency of our service platforms and expand our business opportunities, we apply industry-leading technologies in flight ticket search and accommodation search and transactions, which help us attract and retain users and improve their experiences on our platform. These technologies are able to process massive amount of data that covers the global product offerings available on our platform, use optimized algorithms to reduce computational cost, shorten search latency and processing time, and generate relevant results swiftly to ensure good user experience.

Our technologies for flight ticket searches include a search engine and personalized recommendation system. These technologies can support hundreds of millions of queries per day. The technology currently has covered departure or arrival cities worldwide and accommodates various languages. Leveraging our massive user base and large transaction volume, we have also built intelligent tools based on big data analytics and machine learning technologies for ecosystem partners to better price their products and strengthen their competitive positions. We provide deep integration of travel information technology systems with online transaction platforms, which further decreases airlines' operating cost and maximizes revenue.

Our technologies for accommodation searches include a hotel matching system, a hotel big data platform, and model algorithms. These technologies can support billions of queries per day, with an industry leading average response time. They can also rapidly process tens of billions of data points needed to calculate numerous room types, room status data, and room price data incrementally updated every day. The technology connects hotel sales sites in countries and regions around the world and supports multiple currencies and all major international credit card payments. As a result of the technology applied in accommodation search, the Company is able to attract and retain users and improve their overall experiences.



**MARKETING AND BRAND AWARENESS**

Through a combination of online and offline marketing, brand promotion, cross-marketing, and rewards program, we have created strong brands that are commonly associated in China with value travel products and services and superior user support. In addition, we leverage word-of-mouth referrals among users to promote our brands. We will continue to use our focused marketing strategy to further enhance awareness of our brands and acquire new target users.

**Brand Advertising**

We currently operates through four leading travel brands, including (i) Ctrip, a leading provider of online travel and related services in China; (ii) Qunar, a leading online travel agency in China; (iii) Trip.com, an online travel agency for global travelers; and (iv) Skyscanner, a leading global travel search company.

We conduct our brand campaigns through advertising on video streaming platforms, targeted LCD displays in public spaces, and billboards at airports, railway stations, and bus stations. We also work with celebrities in our marketing campaigns and embed our brand and travel products into live TV shows, movies, and other entertainment marketing channels. We also have opened approximately 6,000 offline stores to supplement our online marketing to acquire more consumers in the lower-tier cities in China and those who prefer an in-person experience. With these diverse channels, we believe that we have effective strategies to enhance brand awareness and user engagement and attract a new generation of users, and we have a unique advantage in our ability to develop truly multi-channel marketing solutions for global destinations.

**Performance Advertising**

We have contracted with the majority of the leading online marketing channels, such as search engines, browsers, and navigation websites, to prominently feature our websites and have cooperated with online companies to promote our services, as well as conducting public relations activities. We have purchased related keywords or directory links to direct potential users to our websites.

We have also worked with major internet portals and leading mobile applications in their respective sectors to advertise locally and also have worked with top smart phone manufacturers to increase the number of our app downloads and promote more activations and transactions. In addition, we are actively testing all kinds of innovative and rapidly growing mobile channels that may appeal to consumers.

**Cross-Marketing**

We have entered into cross-marketing arrangements with major PRC domestic airlines, hotel chains, financial institutions, telecommunications service providers, e-commerce and internet companies, and other corporations. For example, our airline partners and financial institution partners recommend our products and services to members of their mileage programs or bank card holders. Users can accumulate miles by booking air tickets through us or earn points by paying through co-branded credit cards.

**Rewards Program**

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



**SEASONALITY**

The travel service industry is characterized by seasonal fluctuations, and accordingly our revenues may vary from quarter to quarter. Since most of our users are from China, to date, the third quarter of each year generally contributes the highest portion of our annual net revenues primarily due to the strong demand for both leisure and business travel activities during the summer. These seasonality trends are difficult to discern in our historical results because our revenues have grown substantially since inception. However, our future results may be affected by seasonal fluctuations in the use of our services by our users. See “Financial Information—Major Factors Affecting Our Results of Operations—Seasonality.”

**USER PRIVACY AND DATA SECURITY**

Data security is crucial to our business operations. We have internal rules and policies to govern how we may use and share personal information, as well as protocols, technologies and systems in place to ensure that such information will not be accessed or disclosed improperly. Users must acknowledge the terms and conditions of the user agreement before accessing our products and services, under which they consent to our collection, use, and disclosure of their data in compliance with applicable laws and regulations, and we will only use the data of our users under the conditions agreed by our users.

From an internal policy perspective, we limit access to our servers that store our user and internal data on a “need-to-know” basis. Our internal control protocols cover the full lifecycle of data processing including data collection, data quality management, data encryption and transportation, data storage security, data backup and recovery, data processing and analytics, proper use of data, and data destruction and disposition. We adopt a data encryption system intended to ensure the secured storage and transmission of data, and prevent any unauthorized member of the public or third parties from accessing or using our data in any unauthorized manner. We also deploy a variety of detection mechanisms, including machine learning technology and other automated tools that help us independently identify certain misleading information on our platform to remove, suppress, or forward the content for human review. As we continue to develop these tools, content is reviewed by our trained specialists to comply with applicable laws and regulations. During the Track Record Period, we have not experienced any material incidents related to user privacy and data security that subject us to material administrative penalties. Furthermore, we implement comprehensive data masking of user data for the purpose of fending off potential hacking or security attacks.

We engage legal counsel in and outside China to advise on our data protection policies and ongoing compliance with applicable laws and regulations. As part of our internal procedure, we engage overseas legal counsel to advise on the applicable licensing and compliance requirements before entering into new markets.

**INTELLECTUAL PROPERTY**

Our intellectual property rights primarily include trademarks and domain names associated with the name “Ctrip,” “Qunar,” “Trip.com,” and “Skyscanner” and copyright and other rights associated with our websites, technology platform, booking software, and other aspects of our business. We regard our intellectual property as a critical factor contributing to our success, although we are not dependent on any patents, intellectual property related contracts or licenses other than some commercial software licenses available to the general public. We rely on trademark and copyright law, trade secret protection, and confidentiality agreements with our employees to protect our intellectual property rights. We require our employees to enter into agreements to keep confidential all information relating to our users, methods, business, and trade secrets during and after their employment with us.

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Our employees are required to acknowledge and recognize that all inventions, trade secrets, works of authorship, developments, and other processes made by them during their employment are our property.

As of the Latest Practicable Date, we had over 700 patents registered with the PRC Intellectual Property Administration, including over 300 invention patents, and over 700 pending patent applications in China.

As of the Latest Practicable Date, we owned over 1,100 registered trademarks and approximately 200 pending trademark applications, in various categories with the Trademark Office of the PRC Intellectual Property Administration. In addition, we had over 70 registered trademarks in various overseas countries and international jurisdictions. We have registered our major trademarks “Ctrip” and “携程” (simplified Chinese characters for Ctrip) with the Trademark Office of the PRC Intellectual Property Administration, with the Registrar of Trademarks in Hong Kong, and also with the United States Patent and Trademark Office. In 2009, we registered the trademark “携程Ctrip” (a combination of the Chinese and English characters for Ctrip) with the Taiwan Intellectual Property Office and with Direccção dos Serviços de Economia of Macau. We have also registered the trademark “Ctrip” and “携程” in Korea, European Union, Singapore, Switzerland, Australia, New Zealand, Japan, Turkey, Vietnam, the United Arab Emirates, Malaysia, India, South Africa, Brazil, and Cambodia. We have also registered the trademark “Trip.com” in European Union, Japan, and the United States.

As of the Latest Practicable Date, we held over 600 computer software copyrights and over 150 other copyrights registered with the PRC Copyright Administration.

As of the Latest Practicable Date, we had over 230 registered domain names in China, including *ctrip.com* and *ctrip.com.cn*, and approximately 25 registered domain names outside China, including *trip.com*, all of which have been registered with *www.markmonitor.com*, and we have full legal rights over these domain names. As of the Latest Practicable Date, all of our registered domain names were in effect.

Please see “Appendix IV—Statutory and General Information—Further Information About Our Business—Intellectual Property Rights” for details of our material intellectual property rights.

## COMPETITION

China’s travel industry is highly competitive. We compete primarily with other travel agencies, including domestic and foreign consolidators of hotel accommodation and airline tickets as well as traditional travel agencies. As China’s travel market continues to evolve, we may be faced with increased competition from new domestic travel agencies, including the ones operated by other major internet companies, or international players that seek to expand into China. We may also face increasing competition from hotels and airlines as they increase their direct selling efforts or engage in alliances with other travel service providers, as well as content platforms and social networks entering into the travel industry.

We compete based on a number of factors, including, among other things, brand recognition, depth and breadth of travel offerings, price competitiveness, and user support and satisfaction. We believe that we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors may have longer operating histories, greater brand recognition, larger user and supplier bases, or stronger financial, technical or marketing resources than we do. See “Risk Factors—Risks Relating to Our Business and Industry—If we do not compete successfully against new and existing competitors, we may lose our market share, and our business may be materially and adversely affected.” and “Industry Overview” for more information about the market where we operate and the competition we face.

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### CUSTOMERS AND SUPPLIERS

We have a broad base of customers, which primarily consist of our ecosystem partners, including airlines and other air ticket partners, hotel and alternative accommodation partners, and various value-added travel products and services partners, such as insurance companies. We have cultivated and maintained good relationships with our ecosystem partners since our inception. We have a team of employees dedicated to enhancing our relationship with existing ecosystem partners and developing relationships with prospective ecosystem partners. Our five largest customers accounted for less than 10% of our total revenues during the Track Record Period. Our customers also include but are not limited to (i) users who purchase travel products that we source from ecosystem partners, (ii) users who purchase ancillary value-added travel products and services, and (iii) advertisers who post advertisements of their products and services on our online platforms.

Our suppliers primarily consist of online and mobile payment services, data storage, server hosting, and bandwidth providers, user acquisition channels, and advertising and marketing service providers. Purchases from our five largest suppliers accounted for less than 25% of our total purchase amount during the Track Record Period.

### EMPLOYEES

As of December 31, 2020, we had 33,400 employees. Most of our employees are based in Shanghai, Beijing, Nantong, and Chengdu.

The following table sets forth the number of our employees by function as of December 31, 2020.

<b>Function</b>	<b>Number of Employees</b>	<b>Percentage</b>
Product Development <sup>(1)</sup> .....	16,196	48%
Sales and Marketing .....	4,011	12%
Customer Service Centers .....	10,006	30%
Management and Administration .....	3,187	10%
<b>Total</b> .....	<b>33,400</b>	<b>100%</b>

Note: (1) Our product development employees include supplier management personnel and technical support personnel. The product development personnel are critical to our business development as they approach new ecosystem partners and maintain relationships with the existing ecosystem partners, thereby expanding our network and travel offerings. They also help ensure the reliability and stability of the operation of our platform, as well as technology solutions to ecosystem partners.

Our success depends on our ability to attract, retain, and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses, regular awards, and long-term incentives.

We primarily recruit our employees through recruitment agencies, on-campus job fairs, industry referrals, and online channels. In addition to on-the-job training, we have adopted a training system, pursuant to which management, technology, regulatory, and other trainings are regularly provided to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external trainings upon their supervisors' approvals.

As required by PRC laws and regulations in respect of our PRC employment, we participate in housing fund and various employee social insurance plans that are organized by applicable municipal and provincial government authorities, including housing, pension, medical, work-related injury, maternity, and unemployment insurance, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accidental insurance

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coverage for our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have adopted a plan to grant share-based incentive awards to our eligible employees in the future to incentivize their contributions to our growth and development.

We enter into standard confidentiality and employment agreements with our employees. The contracts with our key personnel typically include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after the termination of his or her employment, provided that we pay a certain amount of compensation during the restriction period.

We believe that we maintain a good working relationship with our employees, and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

### INSURANCE

We maintain standard benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, workplace injury insurance, unemployment insurance, and maternity insurance. In addition, we provide supplementary medical insurance for our employees. We obtain such insurance from reputable insurance carriers in accordance with commercially reasonable standards.

We believe that our insurance coverage is sufficient for its present purposes and is consistent with the insurance coverage of other online travel platforms in China. We periodically review our insurance coverage to ensure that it remains to be sufficient. During the Track Record Period, we did not make any material insurance claims relating to our business.

### FACILITIES AND PROPERTIES

Our principal place of business is located in Shanghai, China, where we own over 179,000 square meters of customer service center, principal sales, marketing and development facilities, and administrative offices. We also own and occupy another customer service centers in Nantong, China with a total floor area of 80,000 square meters.

As of the Latest Practicable Date, we leased offices and data centers with an aggregate gross floor area of over 67,000 square meters. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office premises for our business operations. We believe that there is sufficient supply of properties in China, and thus we do not rely on existing leases for our business operations. As of the Latest Practicable Date, the relevant lease agreements had lease expiration dates ranging from May 2021 to April 2029.

As of December 31, 2020, each of our property interests had a carrying amount less than 15% of our consolidated total assets.

### HEALTH, WORK SAFETY, SOCIAL, AND ENVIRONMENTAL MATTERS

We are dedicated to the sustainable management of our environmental footprint and engaging our users and ecosystem partners to create synergy. As a responsible corporate citizen, we recognize our role in combating the global challenge of climate change. To strategically manage the environmental impacts arising from our operations, we are committed to promoting sustainable tourism and introducing carbon mitigation measures and will continue to explore ways to further improve

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energy efficiency. Given that the majority of our operations are conducted online, we have a limited impact on the environment with a small carbon footprint and our carbon reduction measures focus mainly on reducing energy consumption and improving energy efficiency at our headquarters. Designed as a green building, our headquarters was awarded Leadership in Energy and Environmental Design Gold precertification with several implemented environmental initiatives including the application of an intelligent building energy management system. Trip.com and Skyscanner became founding members of a sustainable tourism campaign, “Travalyst,” which is developing sustainability frameworks to guide sustainability practices across the travel industry. Skyscanner is developing an aviation sustainability framework that creates greater transparency on carbon emissions for individual flights and highlights the sustainability practices of different airlines.

We do not operate any manufacturing or warehousing facilities. Therefore, we are not subject to significant health, work safety, social, or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, work safety, social, or environmental regulations.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We may from time to time become a party to various legal proceedings arising in the ordinary course of business. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral, or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

#### Compliance

During the Track Record Period and up to the Latest Practicable Date, our PRC Legal Advisor is of the view that our Significant Subsidiaries established in China were in compliance with relevant PRC laws and regulations in all material respects.

### RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information system, internal control, human resources, and investment management.

#### Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures.

#### Information System Risk Management

We have implemented relevant internal procedures and controls to ensure that user data is protected, and that leakage and loss of such data is avoided. During the Track Record Period and up to

the Latest Practicable Date, we did not experience any material information leakage or loss of user data. We provide regular trainings to our information technology team and discuss any issues or necessary updates.

### **Internal Control Risk Management**

We have designed and adopted strict internal control procedures to ensure the compliance of our business operations with the relevant rules and regulations. In accordance with these procedures, our in-house legal department reviews and updates the forms of contracts that we enter into, examines the contract terms and reviews all relevant documents for our business operations, and is responsible for obtaining any requisite governmental pre-approvals or consents. We have strictly prohibited our employees from receiving kickbacks, bribing others, or secretly receiving commissions or any other personal benefits.

### **Human Resources Risk Management**

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff's skill sets remain up-to-date and enable them to discover and meet our users' needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence, and corruption.

### **Investment Risk Management**

We invest in or acquire businesses that are complementary to our business, such as businesses that can expand the services we offer and strengthen our research and development capabilities. In general, we intend to hold our investments for the long term. In order to protect our interests as shareholders and control the potential risks associated with our investments, we generally request our investee companies to grant us customary investor protective rights. In addition, to minimize risk in cash management, we prudently select wealth management products and regularly review the composition of wealth investment products and the banks' net worth report. Our short-term investments primarily include wealth management products offered by major commercial banks in China and time deposits with a term more than three months but less than one year.

Our finance department monitors the deal performance on a regular basis. Our finance and legal departments cooperate with deal team on deal analysis, communication, execution, risk control, and reporting. Any material factors will be timely reported to the senior management or board of director for further decision.

### **Audit Committee Experience and Qualification and Board Oversight**

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. The audit committee consists of three members, namely Mr. Neil Nanpeng Shen, Mr. Gabriel Li, and Mr. JP Gan. All of them are independent non-executive Directors. For the professional qualifications and experiences of the members of our audit committee, see "Directors and Senior Management."

We also maintain an internal audit department that is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face



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and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors if necessary.

### LICENSES AND PERMITS

Our PRC Legal Advisor has advised that as of the Latest Practicable Date, we had obtained all requisite licenses and permits from the relevant government authorities that are material for the business operations of our Significant Subsidiaries established in China, and these licenses and permits remain valid within their terms and in effect to the extent required for their operations. The following table sets forth details of the material licenses and permits of our Significant Subsidiaries established in China.

<u>License/Permit</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Applicable Grant Dates</u>	<u>Expiration Date</u>	<u>Description</u>
Travel Agency Operation License	Wancheng	PRC National Tourism Administration	September 6, 2017	—	Domestic and inbound travel services
Travel Agency Operation License	Shanghai Ctrip	PRC National Tourism Administration	July 12, 2017	—	Domestic, inbound, and outbound travel services
Travel Agency Operation License	Chengdu Ctrip International	PRC National Tourism Administration	July 31, 2017	—	Domestic, inbound, and outbound travel services
Travel Agency Operation License	Hecheng	PRC Ministry of Culture and Tourism	March 18, 2019	—	Domestic, inbound, and outbound travel services
Value-added Telecommunications Operating License	Ctrip Commerce	MIIT	October 14, 2019	October 14, 2024	Internet data center, internet access services, Call center, information services (not include Internet information services)
Value-added Telecommunications Operating License	Ctrip Commerce	Shanghai Communications Administration	September 25, 2020	August 1, 2021 <sup>(1)</sup>	Internet information services, online data processing and transaction processing services
Travel Agency Operation License	Shanghai Huacheng	PRC National Tourism Administration	March 7, 2017	—	Domestic, inbound, and outbound travel services
Travel Agency Operation License	Chengdu Ctrip	Sichuan Provincial Community of Travel and Development (currently known as Sichuan Provincial Department of Culture and Tourism)	September 8, 2016	—	Domestic and inbound travel services
Value-added Telecommunications Operating License	Qunar Beijing	MIIT	January 10, 2019	January 10, 2024	Domestic call center, information services (not include Internet information services)
Telecommunication and Information Service Business Operation License	Qunar Beijing	Beijing Communications Administration	July 25, 2018	September 6, 2021 <sup>(1)</sup>	Internet information services

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## BUSINESS

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*Note:*

(1) A renewal application shall be submitted 90 days prior to expiration of these two business licenses. We plan to apply for renewal of such licenses.

For more information about the laws and regulations to which we are subject, see “Regulations.”

### AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition that we have received are set forth below.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
2018 Top 50 Global Enterprises (2018中國企業全球化新銳50強)	2018	Center for China and Globalization
2019 Best Customer Reputation (2019年度客戶口碑獎)	2019	China Customer Contact Center
China Internet Sector Self-Discipline Contribution and Public Welfare Award (中國互聯網行業自律貢獻和公益獎)	2020	Internet Society of China
Top Companies Leading the Fight Against COVID-19 (抗擊疫情先進民營企業)	2020	All-China Federation of Industry and Commerce

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2018, 2019, and 2020, including the notes thereto, included in the Accountant's Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with U.S. GAAP.*

*The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. For further details, see "Forward-Looking Statements."*

### OVERVIEW

We are a leading one-stop travel platform globally, integrating a comprehensive suite of travel products and services and differentiated travel content. We are the go-to destination for travelers in China, and increasingly for travelers around the world, to explore travel and get inspired, to make informed and cost-effective travel bookings, and to enjoy hassle-free, on-the-go support and share travel experience. Users come to our platform for any type of trip, from local activities, weekend getaways, and short-haul trips, to cross-border vacations and business trips. Our diverse product and service portfolio covers budget, high-end, customized, and boutique offerings that appeal to both our domestic users and our growing global user base. Founded in 1999, we now operate the most well-known travel brands in China according to the Analysys Report, and have solidified our leadership over the past two decades. We have been the largest online travel platform in China over the past decade and the largest online travel platform globally from 2018 to 2020, both in terms of GMV, according to the Analysys Report.

Our strong financial performance during the past few years proved our leading position in the travel industry in China and globally, showcasing the value that we provide for both our users and ecosystem partners. Our net revenues increased from RMB31.0 billion in 2018 to RMB35.7 billion in 2019 prior to the outbreak of the COVID-19 pandemic, and our net revenues were RMB18.3 billion for 2020. We had net income attributable to Trip.com Group Limited of RMB1.1 billion and RMB7.0 billion in 2018 and 2019, respectively, and net loss attributable to Trip.com Group Limited of RMB3.2 billion in 2020.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### *Economy and travel industry trends*

As a leading travel platform both in China and globally, our business is driven by the demand for travel services in our key markets, especially in China, which primarily depends on the growth of the economy. Economic growth generally stimulates willingness to pay for travel services and their affordability, thus helping increase travel frequency and spending.

We also benefit from certain other key trends in China's travel industry that affect how and how often users choose to purchase travel services, such as the increasing consumption potential in China's rising middle class, user preference for diverse travel options and quality experience, the booming demand for travel and high-quality user experience, and technology-driven enhancement in the travel industry supply chain.

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Our business and results of operations can be adversely affected by disruptions in the travel industry, such as (i) the outbreaks of pandemics such as COVID-19, epidemics, or fear of spread of contagious diseases, (ii) geopolitical uncertainty, political unrest, or civil strife, (iii) natural disasters or poor weather conditions, such as hurricanes, earthquakes, or tsunamis, and (iv) any travel restrictions or other security procedures implemented in connection with any major events in key markets. While we have demonstrated the resilience of our business model during the current COVID-19 pandemic, our financial condition, results of operations, and cash flows for 2020 were affected by the downturn in the travel industry and general economy associated with the COVID-19 pandemic, and the impact may continue in subsequent periods. For details, see “—Impact of the COVID-19 Pandemic on Our Operations.”

Despite the setback in the global economy and travel industry in 2020 due to the COVID-19 pandemic, we expect the economy and travel industry to resume growth in 2021 and beyond. According to the Analysys Report, the sizes of the China and global travel markets are expected to resume growth and reach US\$1.6 trillion and US\$7.1 trillion in 2025, respectively.

### *The depth and breadth of our travel offerings*

Our results of operations depend on the effectiveness of our product and service offerings and our ability to broaden our offerings to appeal to wider audience, which contributes to our GMV growth. We offer a comprehensive suite of travel products and services leveraging our massive network of ecosystem partners. Our relationships with the expanding pool of ecosystem partners enable us to provide diverse selection of travel offerings from budget to premium products and services, including long-tail and customized products, to satisfy the needs of our diverse user base. In addition, we have been constantly upgrading our open platform that connects us with domestic and international travel partners, search engines, e-commerce platforms, and other ecosystem partners to expand our business opportunities.

Our financial performance is also affected by our product and service mix. Our products and services have different, sometimes contrasting, GMV contribution and take rates. For example, transportation ticketing is relatively a low take rate service, while accommodation reservation is typically a high take rate service. In addition, GMVs, take rates, and terms of travel products and service may vary depending on the specific ecosystem partners providing them. Any material changes in our product and service mix could materially affect our results of operations.

### *Our ability to strengthen our brand recognition and maintain market leadership*

We operate some of the most recognized travel brands. Our ability to strengthen our brand recognition and maintain our leading position among the OTA platforms is critical for us to build and maintain relationships with our users and ecosystem partners. We have built a number of well-known travel brands in China and globally, and have solidified our market leadership over the past two decades. We have been the largest online travel platform in China over the past decade and the largest online travel platform globally from 2018 to 2020 both in terms of GMV, according to the Analysys Report. In order to strengthen our brand recognition and maintain market leadership, we may need to increase our investments in marketing activities, product and service development, and user and ecosystem partner engagement, which may affect our operating margin.

Our market leading position and our ability to attract new users and continue to retain and engage our existing users also depends on our ability to continue to provide users with superior experiences. For years, we have been consistently enhancing our technology, product, service, and content offerings, and user interfaces to offer a personalized, convenient, enjoyable, and inspirational user experience. We have also been innovating continuously to cater to our users' diverse needs and evolving preferences.

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### *Our ability to enhance operating efficiency*

Our results of operations have been, and will continue to be, affected by our ability to improve our operating efficiency, especially through investment in technology. As our business continues to scale up, it is essential to improve operating efficiency to enhance the competitiveness of our platform. For example, our big data and AI capabilities coupled with our in-depth travel insights accumulated throughout our operating history allow us to curate suitable travel products and offer personalized recommendations to individual users, which enables significant cross-selling opportunities on our platform. In addition, we apply various big data and AI technologies to achieve highly effective and precise marketing with reduced cost. In the future, we will continue to invest in technology to further enhance our operations, which may increase our capital expenditure or operating costs but will improve our operating and cost efficiency and service quality in the long run.

### *Seasonality*

Our users generally come to our platform for travel products and services to satisfy their leisure and business trip needs. Therefore, our business is subject to seasonal fluctuations, and our revenues may vary from quarter to quarter throughout a year. Since most of our users are from China, to date, the third quarter of each year generally contributes the highest portion of our annual net revenues primarily due to the strong demand for both leisure and business travel activities during the summer. Our future results may continue to be affected by such seasonal fluctuations.

## IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS

Our results of operations for the year ended December 31, 2020 have been significantly and negatively impacted by the COVID-19 pandemic. The pandemic drove a significant decline in travel demand resulting in reservation cancellations and reduced new orders. In addition, the allowance for credit losses and impairments of long-term investments both increased. In response to the COVID-19 pandemic, we have swiftly adopted cost control measures to mitigate a significant slowdown in user demand. As the COVID-19 pandemic is still evolving, we will continuously review the provisions for losses and make adjustment accordingly.

For the year ended December 31, 2020, our financial performance was materially and adversely affected as a result of the domestic and international travel restrictions and significant incremental costs and expenses incurred to facilitate our users' cancellations and refund requests. While we have seen recovery in the China travel market since the second half of 2020 due to the substantial containment of the COVID-19 pandemic in China, we have seen a slower recovery of the international travel market, and in turn, a slower recovery of our international business. In addition, we made provisions for the expected difficulty in collection of receivables, which resulted in additional allowance for expected credit losses from the receivables due from our customers, and significant downward adjustments and impairment to our long-term investments, as the impacts of the COVID-19 pandemic on certain of our long-term investments are considered to be other than temporary. In 2020, we recognized allowance for credit losses of RMB700 millions primarily for our ecosystem partners, such as airlines, hotels, and packaged-tour providers in China and globally, and impairments of long-term investments of RMB905 million, compared to RMB191 million and RMB205 million in 2019, respectively. As of December 31, 2020, our long-term investments consisted of debt investment of RMB18.2 billion and equity investments of RMB29.7 billion. For a breakdown of long-term investments during the Track Record Period, please see Note 7 to the Accountant's Report in Appendix I to this prospectus. Our net revenues in 2020 decreased by 49% from 2019. While the duration and the development of the pandemic is difficult to predict, our performance generally improved in the third and fourth quarter of 2020 compared to the first two quarters of 2020, in terms of our key financial metrics such as revenues and gross margin, and we have recorded net income in each

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of the third and fourth quarters of 2020, compared with net loss recorded in the first and second quarter of 2020, benefiting from the containment of the COVID-19 pandemic in China starting from the third quarter of 2020. Our GMV decreased by 51%, 72%, 51%, and 45% in the first, second, third, and fourth quarter of 2020, each comparing to the respective periods in 2019. In each of the third and fourth quarter of 2020, we recorded a reversal of allowance for credit losses for our travel ecosystem partners reflecting the improvement in credit risk profile with domestic travel industry recovery. In particular, we recorded reversal of allowance for credit losses for our ecosystem partners, including major airlines in China as they gradually recovered from the COVID-19 pandemic. As a result, our allowance for credit losses increased from the pre-COVID level in the first quarter of 2020, followed by a decrease thereafter. Since the third quarter of 2020, we have also seen reservations cancellation rate of users dropping back to a level prior to the COVID-19 pandemic, which was substantially lower than the reservation cancellation rate in the first quarter of 2020. In each of the third and fourth quarter of 2020, no significant impairment expense was recognized on our long-term investments.

The global spread of COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the extent to which it may affect our financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be reasonably predicted. Since the beginning of 2021, a few waves of COVID-19 infections have emerged in various regions of China, and varying levels of travel restrictions were reinstated. In early 2021, precautionary measures, including varying levels of travel restrictions and encouragement of reduced travel during the Chinese New Year, were reinstated in China. These travel restrictions reduce users' demand for our products, and are expected to materially and adversely affect our results of operations in the first quarter of 2021 and potentially beyond. According to the Analysys Report, the travel market in China exhibited a quick rebound after the Chinese New Year. See "Risk Factors—Risks Relating to Our Business and Industry—Pandemics (such as COVID-19), epidemics, or fear of spread of contagious diseases could disrupt the travel industry and our operations, which could materially and adversely affect our business, financial condition, and results of operations."

Any future outbreak of contagious diseases or similar adverse public health developments, extreme unexpected bad weather, or severe natural disasters would affect our business and operating results. Ongoing concerns regarding contagious disease or natural disasters, particularly its effect on travel, could adversely affect our users' desire to travel. If there is a recurrence of an outbreak of certain contagious diseases or natural disasters, travel to and from affected regions could be curtailed. Public policy regarding, or governmental restrictions on, travel to and from these and other regions on account of an outbreak of any contagious disease or occurrence of natural disasters could materially and adversely affect our business and operating results.

### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenues

We generate revenues primarily from our accommodation reservation and transportation ticketing businesses.



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The following table sets forth a breakdown of revenues by our principle business line in absolute amount and as a percentage of our total revenues for the periods indicated.

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	%
	(in millions, except percentages)					
<b>Revenue</b>						
Accommodation reservation . . . . .	11,580	37	13,514	38	7,132	39
Transportation ticketing . . . . .	12,947	42	13,952	39	7,146	39
Packaged tours . . . . .	3,772	12	4,534	13	1,241	7
Corporate travel . . . . .	981	3	1,255	4	877	5
Others . . . . .	1,824	6	2,461	6	1,931	10
<b>Total</b> . . . . .	<b><u>31,104</u></b>	<b><u>100</u></b>	<b><u>35,716</u></b>	<b><u>100</u></b>	<b><u>18,327</u></b>	<b><u>100</u></b>

Under most circumstances, we do not take ownership of the products and services being sold and act as an agent in substantially all of our transactions. Our risk of loss due to obligations for canceled hotel and airline ticket reservations is thus relatively remote. Accordingly, we recognize revenues primarily based on commissions earned rather than transaction value.

Since current PRC laws and regulations impose substantial restrictions on foreign ownership of travel agency and value-added telecommunications businesses in China, we conduct part of our transportation ticketing and packaged-tour businesses through our consolidated affiliated Chinese entities. Historically, we generated a portion of our revenues from fees charged to these entities. For a description of our relationships with these entities, see “History and Corporate Structure—Contractual Arrangements.”

### *Accommodation Reservation*

Accommodation reservation revenue constitutes a significant source of our revenues. In 2018, 2019, and 2020, our accommodation reservation revenue was RMB11.6 billion, RMB13.5 billion, and RMB7.1 billion, representing 37%, 38%, and 39% of our total revenues, respectively.

We generate substantially all of our accommodation reservation revenue through commissions from hotel reservation partners through our platform. We recognize revenues when the reservation becomes non-cancellable, which is the point considered when we complete our performance obligation in accommodation reservation services. Contracts with certain hotel reservation partners contain incentive commissions that are typically subject to specific performance targets. We generally receive incentive commissions from hotels through monthly arrangements based on performance targets of accommodation reservations where our users have completed their stay.

### *Transportation Ticketing*

In 2018, 2019, and 2020, our transportation ticketing revenue was RMB12.9 billion, RMB14.0 billion, and RMB7.1 billion, representing 42%, 39%, and 39% of our total revenues, respectively.

We operate our transportation ticketing business primarily through our wholly-owned subsidiaries, consolidated affiliated Chinese entities, and a network of ecosystem partners. Commissions from transportation ticketing rendered are recognized after tickets are issued as this is when our performance obligation is satisfied.

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### *Packaged Tours*

Our packaged-tour business has grown rapidly during the Track Record Period, except for 2020 due to the COVID-19 pandemic. In 2018, 2019, and 2020, our packaged-tour revenue was RMB3.8 billion, RMB4.5 billion, and RMB1.2 billion, respectively. We bundle the packaged-tour products and services and receive referral fees from ecosystem partners for packaged-tour products and services through our platform. Referral fees are recognized on the departure date of the packaged tours as this is when our performance obligation is satisfied.

### *Corporate Travel*

Our corporate travel revenue primarily includes commissions from transportation ticket booking, accommodation reservation, and packaged-tour services rendered to corporate clients. In 2018, 2019, and 2020, our corporate travel revenue was RMB981 million, RMB1.3 billion, and RMB877 million, respectively. We contract with corporate clients based on a service fee model. Travel reservations are made via online and offline services for transportation ticket booking, accommodation reservation, and packaged-tour services. Corporate travel revenue is recognized on a net basis after the services are rendered and collections are reasonably assured.

### *Other Businesses*

Our other businesses primarily consist of online advertising and financial services. In 2018, 2019, and 2020, our other revenue was RMB1.8 billion, RMB2.5 billion, and RMB1.9 billion, respectively. We recognize advertising revenue ratably over the fixed term of an agreement as services are provided, and we recognize the revenue from the financial services ratably over the service period. The revenues from our financial services were primarily from our consumer financing services. During the Track Record Period, our revenue from the financial services contributed less than 5.5% of our total revenues. Most of our financial service business is conducted by our financial service ecosystem partners, who directly extend credit loans to our users and ecosystem partners. As of December 31, 2018, 2019, and 2020, the receivables relating to our financial services accounted for less than 1.5% of our total assets, respectively.

### **Cost of Revenues**

Cost of revenues primarily consists of payroll compensation of customer service center personnel, credit card service fees, payments to ecosystem partners, telecommunication expenses, direct cost of principal travel tour services, depreciation, rentals and related expenses incurred by our platform that are directly attributable to the rendering of our travel-related services and other businesses.

Cost of revenues accounted for 20%, 21%, and 22% of our net revenues in 2018, 2019, and 2020, respectively. We believe that our relatively low ratio of cost of revenues to revenues is primarily due to competitive labor costs in China, high efficiency of our user support system, and efficiency of our enhanced website operations.

### **Operating Expenses**

Operating expenses primarily consist of product development expenses, sales and marketing expenses, and general and administrative expenses, all of which include share-based compensation expenses. In 2020, we recorded RMB1.9 billion of share-based compensation expense, compared to

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RMB1.7 billion for both 2018 and 2019. Share-based compensation expenses are included in the same income statement category as the cash compensation paid to the recipients of share-based awards.

Product development expenses primarily include expenses that we incur to develop our ecosystem partner network and expenses that we incur to maintain, monitor, and manage our platform. Product development expenses accounted for 31%, 30%, and 42% of our net revenues in 2018, 2019, and 2020, respectively.

Sales and marketing expenses primarily include payroll compensation and benefits for our sales and marketing personnel, advertising expenses, and other related marketing and promotion expenses. Our sales and marketing expenses accounted for 31%, 26%, and 24% of our net revenues in 2018, 2019, and 2020.

General and administrative expenses primarily include payroll compensation, benefits and travel expenses for our administrative staff, credit losses, professional service fees, and administrative office expenses. Our general and administrative expenses accounted for 9%, 9%, and 20% of our net revenues in 2018, 2019, and 2020, respectively.

### **Taxation**

Our effective income tax rate was 41%, 19%, and (29)% in 2018, 2019, and 2020, respectively. The change in our effective income tax rate from 2019 to 2020 was primarily due to valuation allowances provided against the deferred tax assets associated with the accumulated loss, as well as the non-deductible expenses of the fair value changes in equity securities investments and exchangeable senior notes. The change in our effective income tax rate from 2018 to 2019 was mainly due to changes in the profitability of our subsidiaries that have different tax rates, including certain non-taxable income of the fair value gains in equity securities investments in 2019 and certain non-deductible expenses of the fair value losses in equity securities in 2018.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong, and mainland China.

#### ***Cayman Islands***

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or brought within the jurisdiction of, the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

#### ***Hong Kong***

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces the two-tiered profits tax rates regime. The bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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### *China*

Pursuant to the PRC Enterprise Income Tax Law, companies established in China are generally subject to enterprise income tax at a statutory rate of 25%. The 25% rate applies to most of our subsidiaries and consolidated affiliated Chinese entities established in China. Some of our PRC subsidiaries and consolidated affiliated Chinese entities, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, Qunar Software, Qunar Beijing, Chengdu Ctrip, Chengdu Ctrip International, and Chengdu Information, benefit from a preferential tax rate of 15% by either qualifying as HNTEs or qualifying under the Western Regions Catalog under the PRC Enterprise Income Tax Law as follows:

- In 2020, Ctrip Computer Technology, Ctrip Travel Information, and Ctrip Travel Network reapplied for their qualification as HNTE, which were approved by the relevant government authority. Thus, these subsidiaries are entitled to a preferential income tax rate of 15% from 2020 to 2022 as long as they maintained their qualifications for HNTEs that are subject to verification by competent authorities and renewals every three years. Qunar Software and Qunar Beijing are also HNTEs entitled to a preferential income tax rate of 15% from 2018 to 2020 and are applying for renewal of their qualifications.
- In 2001, the STA started to implement preferential tax policy in China's western regions, and companies located in applicable jurisdictions covered by the Western Regions Catalog are eligible to apply for a preferential income tax rate of 15% if their businesses fall within the "encouraged" category of the policy. On April 23, 2020, the Ministry of Finance, the STA, and the NDRC jointly issued the Announcement on Renewing the Enterprise Income Tax Policy for Western Development, which reduced the revenue percentage requirement of the "encouraged" businesses to no less than 60% and would be applied from 2021 to 2030. Chengdu Ctrip, Chengdu Ctrip International, and Chengdu Information are entitled to enjoy a preferential tax rate of 15% until 2030, provided that their "encouraged" businesses account for no less than required percentage pursuant to current policies.

In 2018, 2019, and 2020, our subsidiaries in China received financial subsidies from the government authorities in the amount of RMB469 million, RMB589 million, and RMB601 million, respectively, which we recorded as other income upon cash receipt. Such financial subsidies were granted to us at the sole discretion of the government authorities. We cannot assure you that our subsidiaries will continue to receive financial subsidies in the future.

Pursuant to the China's VAT reform, from April 1, 2019 to December 31, 2021, general tax payers engaged in certain industries, including the travel and entertainment industry, are allowed to claim an additional 10% or 15% super-credit on their input VAT (with the 15% super-credit applicable from October 1, 2019). This super-credit amount can be deducted from VAT payable, and any remaining amount can be transferred to the next filing period for credit.

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

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### RESULTS OF OPERATIONS

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

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	%
	(in millions, except percentages)					
<b>Revenues:</b>						
—Accommodation reservation	11,580	37	13,514	38	7,132	39
—Transportation ticketing	12,947	42	13,952	39	7,146	39
—Packaged tours	3,772	12	4,534	13	1,241	7
—Corporate travel	981	3	1,255	4	877	5
—Others	1,824	6	2,461	6	1,931	10
Total revenues	31,104	100	35,716	100	18,327	100
Less: Sales tax and surcharges	(139)	(0)	(50)	(0)	(11)	(0)
<b>Net revenues</b>	<b>30,965</b>	<b>100</b>	<b>35,666</b>	<b>100</b>	<b>18,316</b>	<b>100</b>
Cost of revenues	(6,324)	(20)	(7,372)	(21)	(4,031)	(22)
<b>Gross profit</b>	<b>24,641</b>	<b>80</b>	<b>28,294</b>	<b>79</b>	<b>14,285</b>	<b>78</b>
Operating expenses:						
—Product development <sup>(1)</sup>	(9,620)	(31)	(10,670)	(30)	(7,667)	(42)
—Sales and marketing <sup>(1)</sup>	(9,596)	(31)	(9,295)	(26)	(4,405)	(24)
—General and Administrative <sup>(1)</sup>	(2,820)	(9)	(3,289)	(9)	(3,636)	(20)
Total operating expenses	(22,036)	(71)	(23,254)	(65)	(15,708)	(86)
<b>Income/(Loss) from operations</b>	<b>2,605</b>	<b>9</b>	<b>5,040</b>	<b>14</b>	<b>(1,423)</b>	<b>(8)</b>
Interest income	1,899	6	2,094	6	2,187	12
Interest expense	(1,508)	(5)	(1,677)	(5)	(1,716)	(9)
Other (expense)/income	(1,075)	(3)	3,630	10	(273)	(1)
Income/(loss) before income tax expense and equity in loss of affiliates	1,921	7	9,087	25	(1,225)	(6)
Income tax expense	(793)	(3)	(1,742)	(5)	(355)	(2)
Equity in loss of affiliates	(32)	(0)	(347)	(1)	(1,689)	(9)
<b>Net income/(loss)</b>	<b>1,096</b>	<b>4</b>	<b>6,998</b>	<b>19</b>	<b>(3,269)</b>	<b>(17)</b>
Net loss attributable to non-controlling interests	16	0	57	0	62	0
Accretion to redemption value of redeemable non-controlling interests	—	—	(44)	(0)	(40)	(0)
<b>Net income/(loss) attributable to Trip.com Group Limited</b>	<b>1,112</b>	<b>4</b>	<b>7,011</b>	<b>19</b>	<b>(3,247)</b>	<b>(17)</b>

Note:

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

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	%
	(in millions, except percentages)					
Product development	(934)	(3)	(919)	(3)	(964)	(5)
Sales and marketing	(156)	(1)	(144)	(0)	(159)	(1)
General and administrative	(617)	(2)	(651)	(2)	(750)	(4)

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### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

##### *Revenues*

Total revenues decreased by 49% to RMB18.3 billion in 2020 from RMB35.7 billion in 2019, primarily due to the negative impact from the COVID-19 pandemic in China and globally.

*Accommodation Reservation.* Our revenues generated from accommodation reservation decreased by 47% to RMB7.1 billion in 2020 from RMB13.5 billion in 2019, primarily due to the decrease in the accommodation reservation GMV facilitated by our platform in 2020 by 47% as a result of the reduction in travel demand from Chinese and international users because of the COVID-19 pandemic in China and globally.

*Transportation Ticketing.* Our revenues generated from transportation ticketing decreased by 49% to RMB7.1 billion in 2020 from RMB14.0 billion in 2019, primarily due to the decrease in the transportation ticketing GMV facilitated by our platform in 2020 by 57% as a result of the reduction in travel demand from Chinese and international users because of the COVID-19 pandemic in China and globally.

*Packaged tours.* Packaged tours revenues decreased by 73% to RMB1.2 billion in 2020 from RMB4.5 billion in 2019, primarily due to the cross-region travel restrictions in China and globally in response to the COVID-19 pandemic.

*Corporate Travel.* Corporate travel revenues decreased by 30% to RMB877 million in 2020 from RMB1.3 billion in 2019, primarily due to the decrease in travel demand from our corporate clients as a result of the COVID-19 pandemic.

*Others.* Other revenues decreased by 22% to RMB1.9 billion in 2020 from RMB2.5 billion in 2019, primarily due to the decrease in the advertising revenue as a result of a decrease in online advertising demand as our advertising clients, including our ecosystem partners, were negatively impacted by the COVID-19 pandemic.

##### *Cost of Revenues*

Cost of revenues decreased by 45% to RMB4.0 billion in 2020 from RMB7.4 billion in 2019, which was in line with the revenue decrease in the same year.

##### *Operating Expenses*

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

*Product Development.* Product development expenses decreased by 28% to RMB7.7 billion in 2020 from RMB10.7 billion in 2019, primarily due to a decrease in product development personnel related expenses.

*Sales and Marketing.* Sales and marketing expenses decreased by 53% to RMB4.4 billion in 2020 from RMB9.3 billion in 2019, primarily due to a decrease in sales and marketing related activities during the COVID-19 pandemic.

*General and Administrative.* General and administrative expenses increased by 11% to RMB3.6 billion in 2020 from RMB3.3 billion in 2019, primarily due to the allowance for expected



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credit losses for the increased receivables mainly attributable to the refunds for reservation cancelations that we paid on behalf of our ecosystem partners that are subject to the increased credit risk as a result of the COVID-19 pandemic.

### *Interest Income*

Interest income increased by 4% to RMB2.2 billion in 2020 from RMB2.1 billion in 2019, primarily due to an increase in short-term investments, held to maturity deposits and financial products in 2020.

### *Interest Expense*

Interest expense increased by 2% to RMB1.7 billion in 2020 from RMB1.7 billion in 2019, primarily due to the fluctuations in the principal amount of both short-term and long-term debt in 2020.

### *Other Income/(Expense)*

Other expense was RMB273 million in 2020, compared to other income of RMB3.6 billion in 2019, primarily due to the RMB612 million fair value loss of equity securities investments and exchangeable senior notes for the year ended December 31, 2020 and the RMB2.3 billion fair value gain of equity securities investments for the year ended December 31, 2019.

### *Income Tax Expense*

Income tax expense decreased significantly to RMB355 million in 2020 from RMB1.7 billion in 2019, primarily due to a decrease in our taxable income.

### *Equity in Loss of Affiliates*

Equity in loss of affiliates increased significantly to RMB1.7 billion in 2020 from RMB347 million in 2019, primarily due to the losses incurred from our equity method investments, mainly in MakeMyTrip, which was significantly impacted by the COVID-19 pandemic.

## **Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

### *Revenues*

Total revenues increased by 15% to RMB35.7 billion in 2019 from RMB31.1 billion in 2018, primarily due to our brands' extensive reach and expansion in our product portfolio.

*Accommodation Reservation.* Accommodation reservation revenue increased by 17% to RMB13.5 billion in 2019 from RMB11.6 billion in 2018, primarily due to our brands' extensive reach and provision of diversified accommodation choices to prospective users.

*Transportation Ticketing.* Transportation ticketing revenue increased by 8% to RMB14.0 billion in 2019 from RMB12.9 billion in 2018, primarily due to an increase in demands for international air tickets and ground transportation tickets.

*Packaged Tours.* Packaged-tour revenue increased by 20% to RMB4.5 billion in 2019 from RMB3.8 billion in 2018, primarily due to an increase in demands for organized tours and self-guided tours and our further penetration in lower-tier cities in China.

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*Corporate Travel.* Corporate travel revenue increased by 28% to RMB1.3 billion in 2019 from RMB981 million in 2018, primarily due to the expansion in corporate client base and travel product coverage.

*Others.* Other revenue increased by 35% to RMB2.5 billion in 2019 from RMB1.8 billion in 2018, primarily due to a strong growth in our advertisement services and an increase in demands for financial services.

### ***Cost of Revenues***

Cost of revenues increased by 17% to RMB7.4 billion in 2019 from RMB6.3 billion in 2018, primarily due to an increase in credit card service fee, and user support related expenses and payments to ecosystem partners for the service we had control.

### ***Operating Expenses***

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

*Product Development.* Product development expenses increased by 11% to RMB10.7 billion in 2019 from RMB9.6 billion in 2018, primarily due to an increase in product development personnel related expenses.

*Sales and Marketing.* Sales and marketing expenses decreased by 3% to RMB9.3 billion in 2019 from RMB9.6 billion in 2018, primarily due to a decrease in sales and marketing related activities. Our advertising expenses decreased from RMB6.0 billion in 2018 to RMB5.5 billion in 2019.

*General and Administrative.* General and administrative expenses increased by 17% to RMB3.3 billion in 2019 from RMB2.8 billion in 2018, primarily due to an increase in general and administrative personnel related expenses and allowance for credit losses.

### ***Interest Income***

Interest income increased by 10% to RMB2.1 billion in 2019 from RMB1.9 billion in 2018, primarily due to an increase in held-to-maturity deposits and financial products in 2019.

### ***Interest Expense***

Interest expense increased by 11% to RMB1.7 billion in 2019 from RMB1.5 billion in 2018, primarily due to fluctuation in the principal amount of both short-term and long-term debt in 2019.

### ***Other (Expense)/Income***

Other income was RMB3.6 billion in 2019, compared to other expense of RMB1.1 billion in 2018, primarily due to the RMB2.3 billion fair value gain of equity securities investments in 2019 and the RMB3.1 billion fair value loss of equity securities investments in 2018, largely offset by RMB1.2 billion gain on disposal of long-term investments.

### ***Income Tax Expenses***

Income tax expense increased significantly to RMB1.7 billion in 2019 from RMB793 million in 2018, primarily due to an increase in our taxable income.

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### *Equity in Loss of Affiliates*

Equity in loss of affiliates increased significantly to RMB347 million in 2019 from RMB32 million in 2018, primarily due to the losses incurred from our equity method investments.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, our principal sources of liquidity were cash generated from operating activities, borrowings from third-party lenders, and the proceeds we received from our public offerings of ordinary shares and our offerings of convertible senior notes and exchangeable senior notes. Our cash and cash equivalents consist of cash on hand and liquid investments that are unrestricted as to withdrawal or use. Our financing activities consist of issuance and sale of our ordinary shares, convertible senior notes, and exchangeable senior notes to investors and related parties and borrowings from third-party lenders. As of January 31, 2021, we had cash and cash equivalents of RMB22.6 billion, convertible senior notes outstanding in an aggregate principal amount of US\$1.1 billion, exchangeable senior notes outstanding in an aggregate principal amount of US\$500 million, and three term loan facilities outstanding, under which the aggregate outstanding principal balance was US\$2.8 billion.

We believe that our current cash and cash equivalents and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements and capital expenditures for at least the next 12 months from the date of this prospectus. We plan to enhance our cash flow position by generating increased cash from our business operation as our business grows. After the Global Offering, we may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions that we may decide to pursue. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increasing fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. We currently do not have any plans for material additional external financing.

### Cash Flows

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

	For the Year Ended December 31,		
	2018	2019	2020
	(RMB in millions)		
Operating cash flows before movement in working capital	7,751	10,184	5,992
Changes in working capital	2,123	282	(6,934)
Cash paid during the period for income taxes	(1,315)	(1,496)	(1,239)
Cash paid for interest, net of amounts capitalized	(1,444)	(1,637)	(1,642)
Net cash provided by/(used in) operating activities	7,115	7,333	(3,823)
Net cash used in investing activities	(14,078)	(2,413)	(3,821)
Net cash provided by/(used in) financing activities	11,926	(9,256)	6,025
Effect of foreign exchange rate changes on cash and cash equivalents, restricted cash	819	309	(713)
Net increase/(decrease) in cash and cash equivalents, restricted cash	5,782	(4,027)	(2,332)
Cash and cash equivalents, restricted cash, beginning of year	19,992	25,774	21,747
Cash and cash equivalents, restricted cash, end of year	25,774	21,747	19,415

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### *Operating Activities*

In 2020, net cash used in operating activities was RMB3.8 billion, which was primarily attributable to (i) our net loss of RMB3.3 billion in 2020, (ii) a decrease in accounts payable of RMB7.8 billion in 2020, mainly due to a decrease in new bookings of hotel, transportation ticketing, packaged-tour services during the COVID-19 pandemic, which were exceeded by settlement, (iii) a decrease in advances from customers of RMB4.1 billion, mainly due to a decrease in demand for packaged tours, transportation ticketing, and accommodation services, (iv) a decrease in salary and welfare payable of RMB1.3 billion, mainly due to a decrease in personnel related expenses during the COVID-19 pandemic, (v) a decrease in other payables and accruals of RMB1.3 billion, mainly due to a decrease in accrued operating related expenses, and (vi) the gain on deconsolidation of subsidiaries of RMB1.1 billion. The foregoing were partially offset by (i) an add-back of RMB4.1 billion in non-cash expense or loss items, mainly relating to share-based compensation expenses, depreciation and amortization expenses, allowance for credit losses, and amortization of ROU assets, (ii) a decrease in prepayments and other current assets of RMB3.8 billion, mainly due to a decrease in prepayment for packaged tours and accommodation services, (iii) a decrease in accounts receivable of RMB3.2 billion, mainly due to a decrease of corporate travel management services and credit card payments from our individual users for transportation ticket booking, (iv) the equity in loss of affiliates of RMB1.7 billion mainly in MakeMyTrip, (v) the impairments of long-term investment of RMB905 million, and (vi) a decrease in due from related parties of RMB821 million.

In 2019, net cash provided by operating activities was RMB7.3 billion, which was primarily attributable to (i) our net income of RMB7.0 billion in 2019, (ii) an add-back of RMB3.9 billion in non-cash expense or loss items, mainly relating to equity in loss of affiliates, share-based compensation expenses, depreciation and amortization expenses, and amortization of ROU assets, (iii) an increase in advances from customers of RMB2.2 billion, mainly due to an increase in demand for packaged-tour, transportation ticketing, and accommodation services, (iv) an increase in other payables and accruals of RMB1.2 billion, mainly due to an increase in accrued operating related expenses, (v) an increase in salary and welfare payable of RMB1.1 billion, mainly due to an increase in personnel related expenses, and (vi) an increase in accounts payable of RMB540 million, mainly due to an increase in hotel, transportation ticketing, and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers. The foregoing were partially offset by (i) changes in fair value for equity securities investments measured at fair value of RMB2.3 billion, (ii) an increase in prepayments and other current assets of RMB2.2 billion, mainly due to an increase in prepayment for packaged-tour, transportation ticketing, and accommodation services, (iii) an increase in accounts receivable of RMB2.0 billion, mainly due to an increase of corporate travel management services, hotels, and credit card payments from our individual customers for transportation ticket booking, (iv) an increase in due from related parties of RMB1.1 billion, and (v) the gain on disposal and settlement of long-term investment of RMB921 million.

In 2018, net cash provided by operating activities was RMB7.1 billion, which was primarily attributable to (i) our net income of RMB1.1 billion in 2018, (ii) an add-back of RMB6.0 billion in non-cash expense or loss items, primarily relating to share-based compensation expenses, depreciation expenses and changes in fair value for equity securities investments measured at fair value, (iii) an increase in accounts payable of RMB3.7 billion, primarily due to an increase in volume of hotel, transportation ticketing, and packaged-tour services, as we are generally entitled to certain credit terms from our suppliers, (iv) an increase in advances from customers of RMB1.3 billion, primarily due to an increase in demand for packaged-tour, ticketing and accommodation services, and (v) an increase in other payable and accruals of RMB914 million primarily due to the increase in accrued advertising expenses. The foregoing were partially offset by (i) an increase in prepayments and other current assets of RMB2.0 billion, primarily due to an increase in prepayment for packaged-tour, ticketing and accommodation services, (ii) an increase in due from related parties of RMB1.3 billion, (iii) the gain

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on disposal of long-term investment of RMB1.2 billion, and (iv) an increase in accounts receivable of RMB704 million, primarily due to an increase of volume of corporate travel management services and credit card payments from our individual users for transportation ticket booking.

### *Investing Activities*

In 2020, net cash used in investing activities was RMB3.8 billion, which was primarily attributable to (i) the cash paid for long-term investments of RMB9.8 billion, (ii) cash paid for loans to the users of RMB3.9 billion, (iii) cash paid for business combination of RMB958 million, and (iv) purchase of property, equipment, and software of RMB532 million, partially offset by (y) decrease in short-term investments of RMB6.9 billion, and (z) cash received from loans to the users of RMB4.0 billion.

In 2019, net cash used in investing activities was RMB2.4 billion, which was primarily attributable to (i) the cash paid for long-term investments of RMB15.8 billion, (ii) cash paid for loans to the users of RMB2.7 billion, (iii) net change in loans to the users of RMB1.1 billion, (iv) purchase of property, equipment, and software of RMB823 million, and (v) cash paid for business combination of RMB212 million, partially offset by (x) decrease in short-term investments of RMB15.0 billion, (y) cash received from loans to the users of RMB2.6 billion, and (z) cash received from disposal of long-term investments of RMB719 million.

In 2018, net cash used in investing activities was RMB14.1 billion, which was primarily attributable to (i) increase in short-term investments of RMB8.8 billion, (ii) the cash paid for long-term investments of RMB4.4 billion, (iii) cash paid for loans to the users of RMB998 million, (iv) net change in loans to the users of RMB918 million, and (v) purchase of property, equipment, and software of RMB673 million, partially offset by (y) cash received from loans to the users of RMB1.0 billion, and (z) cash received from disposal of long-term investments of RMB723 million.

### *Financing Activities*

In 2020, net cash provided by financing activities was RMB6.0 billion, which primarily comprised (i) proceeds from long-term loans of RMB14.2 billion and proceeds from short-term bank loans, net of RMB4.0 billion, and (ii) proceeds from issuances of exchangeable senior notes of RMB3.4 billion, partially offset by (x) cash paid for settlement of convertible notes of RMB9.5 billion, (y) repayment of long-term loan of RMB3.6 billion, and (z) cash paid for acquisition of additional equity stake in subsidiaries of RMB2.1 billion.

In 2019, net cash used in financing activities was RMB9.3 billion, which primarily comprised (i) cash paid for settlement of convertible notes of RMB10.0 billion, (ii) repayment of long-term bank loans, including current portion, of RMB3.1 billion, and repayment of short-term bank loans of RMB3.1 billion, (iii) cash paid for settlement of securitization debt of RMB608 million, and (iv) cash paid for acquisition of additional equity stake in subsidiaries of RMB220 million, partially offset by (w) proceeds from long-term bank loans of RMB5.1 billion, (x) cash received from non-controlling shareholders of RMB1.2 billion, (y) proceeds from securitization debt of RMB1.1 billion, and (z) proceeds from exercise of share options of RMB467 million.

In 2018, net cash provided by financing activities was RMB11.9 billion, which primarily comprised (i) proceeds from short-term bank loans, net of RMB11.8 billion and proceeds from long-term loans of RMB3.0 billion, (ii) proceeds from exercise of share option of RMB677 million, and (iii) proceeds from securitization debt of RMB608 million, partially offset by (y) cash paid for settlement of convertible notes of RMB3.3 billion and (z) cash paid for acquisition of additional equity stake in subsidiaries of RMB1.2 billion.



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### CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchases of property, equipment, and software. Our total capital expenditures were RMB673 million, RMB823 million, and RMB532 million in 2018, 2019, and 2020. We intend to fund our future capital expenditures with our existing cash balance and proceeds from the Global Offering. We will continue to make capital expenditures to meet the expected growth of our business.

### HOLDING COMPANY STRUCTURE

Trip.com Group Limited is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated affiliated Chinese entities in China. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our consolidated affiliated Chinese entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. Each of the other PRC subsidiaries and our consolidated affiliated Chinese entities is required to allocate a portion of its after-tax profits after contribution of statutory reserve funds based on PRC accounting standards to a discretionary surplus funds at its discretion. The statutory reserve funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE.

### CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of December 31, 2020.

	Total	Payment Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
		(RMB in millions)			
Convertible senior notes with principal and interest . . . . .	7,191	6,659	500	32	—
Exchangeable senior notes with principal and interest . . . .	3,581	49	98	98	3,336
Term loans and other debt, with principal and interest . . . .	45,812	27,567	15,456	2,775	14
Purchase obligations . . . . .	13	11	2	—	—
<b>Total</b> . . . . .	<b>56,597</b>	<b>34,286</b>	<b>16,056</b>	<b>2,905</b>	<b>3,350</b>

In June 2015, we issued the US\$700 million in aggregate principal amount of 1.00% convertible senior notes due 2020, or the 2020 Notes, which may be converted at any time prior to the close of business on the second business day immediately preceding the maturity date of July 1, 2020 based on an initial conversion rate of 9.1942 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2020 Notes bear interest at a rate of 1.00% per year, payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2016. In July 2020, we redeemed the 2020 Notes for cash. The aggregate purchase price of these 2020 Notes was US\$700 million.

In June 2015, we issued US\$400 million in aggregate principal amount of 1.99% convertible senior notes due 2025, or the 2025 Notes, which may be converted, at each holder's option at any time prior to the close of business on the second business day immediately preceding the maturity date of July 1, 2025 based on an initial conversion rate of 9.3555 of our ADSs per US\$1,000 principal amount



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of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2025 Notes bear interest at a rate of 1.99% per year, payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2016. In July 2020, we exercised our put right option relating to the 2025 Notes at an aggregate purchase price of US\$395 million.

In September 2016, we issued US\$975 million in aggregate principal amount of 1.25% convertible senior notes due 2022 (taking into account of the fully exercised over-allotment option), or the 2022 Notes, which may be converted, at each holder's option at any time prior to the close of business on the business day immediately preceding the maturity date of September 15, 2022 based on an initial conversion rate of 15.2688 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2022 Notes bear interest at a rate of 1.25% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2017. In September 2019, we completed put right offer relating to the 2022 Notes. US\$924 million aggregate principal amount of the 2022 Notes were validly surrendered and not withdrawn prior to the expiration of the put right offer. The aggregate purchase price of these 2022 Notes was US\$924 million.

In May 2015, we issued US\$250 million in aggregate principal amount of 1.00% convertible notes due 2020, or the 2020 Booking Notes, to a subsidiary of Booking, which will mature on May 29, 2020, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 9.5904 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2020 Booking Notes bear interest at a rate of 1.00% per year, payable semiannually beginning on November 29, 2015. In 2020, the 2020 Booking Notes with principal amount of US\$250 million were redeemed for cash.

In December 2015, we issued US\$500 million in aggregate principal amount of 2.00% convertible notes due 2025, or the 2025 Booking Notes, to a subsidiary of Booking, which will mature on December 11, 2025, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 14.6067 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2025 Booking Notes bear interest at a rate of 2.00% per year, payable semiannually beginning on June 11, 2016.

In December 2015, we issued US\$500 million in aggregate principal amount of 2.00% convertible notes due 2025, or the 2025 Hillhouse Notes, to Gaoling Fund, L.P. and YHG Investment, L.P., or collectively Hillhouse, which will mature on December 11, 2025, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 14.6067 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2025 Hillhouse Notes bear interest at a rate of 2.00% per year, payable semiannually beginning on June 11, 2016.

In September 2016, we issued US\$25 million in aggregate principal amount of 1.25% convertible notes due 2022, or the 2022 Booking Notes, to a subsidiary of Booking, which will mature on September 15, 2022, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 15.2688 of our ADSs per US\$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2022 Booking Notes bear interest at a rate of 1.25% per year, payable semiannually beginning on March 15, 2017.

In July 2019, we entered into a facility agreement as a borrower with certain financial institutions for up to US\$2.0 billion equivalent transferable term loan facility with a greenshoe option of up to US\$500 million. The facilities have a 3-year tenor. The proceeds borrowed under such

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facilities may be used for our general working capital requirements, including repayment of any existing financial indebtedness.

In April 2020, we entered into a facility agreement as a borrower with certain financial institutions for up to US\$1.0 billion transferrable term and revolving loan facility with an incremental facility of up to US\$500 million. The facilities have a 3-year tranche and a 5-year tranche. The proceeds borrowed under the facilities may be used for our general working capital requirements, including repayment of any existing financial indebtedness.

In July 2020, we issued the US\$500 million in aggregate principal amount of 1.50% exchangeable senior notes due 2027, or the 2020 Exchangeable Notes. The 2020 Exchangeable Notes are exchangeable, at the option of the holders and subject to certain conditions, into cash, ADSs of Huazhu Group Limited (Nasdaq: HTHT), or a combination thereof, at our election subject to certain conditions. The initial exchange rate of the 2020 Exchangeable Notes is 24.7795 Huazhu ADSs per US\$1,000 principal amount of the notes. The 2020 Exchangeable Notes bear interest at a rate of 1.50% per year, payable semiannually beginning on January 1, 2021.

As of December 31, 2020, we obtained short-term bank borrowings of RMB26.8 billion in aggregate, of which RMB7.0 billion were collateralized by short-term and long-term investments of RMB7.0 billion. The weighted average interest rate for the outstanding borrowings was approximately 2.89%.

As of December 31, 2020, we obtained long-term borrowings of RMB17.8 billion in aggregate, of which RMB1.3 billion were collateralized by short-term investments, long-term investments, and properties of the Company. The weighted average interest rate for the outstanding borrowings was approximately 1.68%.

While the table above indicates our contractual obligations as of December 31, 2020, the actual amounts we are eventually required to pay may be different in the event that any agreements are renegotiated, canceled, or terminated.

## DISCUSSION OF MAJOR BALANCE SHEET ITEMS

### Short-term Investments

Our short-term investments primarily include wealth management products offered by major commercial banks in China and time deposits with a term more than three months but less than one year. There were no material adverse changes in the fair value of our short-term investments as a result of the COVID-19 outbreak. Our short-term investments were RMB24.8 billion as of December 31, 2020, in line with our short-term investments of RMB23.1 billion as of December 31, 2019. Our short-term investments as of December 31, 2019 decreased by 37% from RMB36.8 billion as of December 31, 2018, primarily because we strategically invested a portion of the cash previously invested in short-term financial products to long-term products in 2019 to achieve an optimized rate of investment return.

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### Investments

Our investments include equity method carrying value, equity securities without readily determinable fair value, equity securities with readily determinable fair value, held to maturity debt fair value, and available-for-sale debt fair value. The following table sets forth our long-term investments as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in million)		
Equity method carrying value <sup>(1)</sup> . . . . .	12,188	23,041	18,907
Equity securities without readily determinable fair value . . . . .	584	596	588
Equity securities with readily determinable fair value <sup>(2)</sup> . . . . .	8,995	10,037	10,235
<b>Total equity investments</b> . . . . .	<u>21,767</u>	<u>33,674</u>	<u>29,730</u>
Held to maturity debt fair value . . . . .	2,390	15,056	15,357
Available-for-sale debt fair value . . . . .	2,717	2,548	2,856
<b>Total debt investments</b> . . . . .	<u>5,107</u>	<u>17,604</u>	<u>18,213</u>
<b>Investments</b> . . . . .	<u>26,874</u>	<u>51,278</u>	<u>47,943</u>

Notes:

(1) Equity method carrying value:

	Tongcheng- eLong	MakeMyTrip	BTG	Investment funds	Tujia	Others	Total
<b>January 1, 2018</b> . . . . .	—	—	2,600	780	1,497	1,191	6,068
Addition/(Disposal) in investment . . . . .	5,291	—	—	176	—	(226)	5,241
Equity method earnings/(losses) . . . . .	(8)	—	141	202	(406)	21	(50)
Reclass from equity securities with readily determinable fair values . . . . .	—	—	—	—	—	760	760
Dividend payments . . . . .	—	—	(11)	(2)	—	(19)	(32)
Foreign exchange and other adjustment . . . . .	—	—	—	42	94	65	201
<b>December 31, 2018</b> . . . . .	<u>5,283</u>	<u>—</u>	<u>2,730</u>	<u>1,198</u>	<u>1,185</u>	<u>1,792</u>	<u>12,188</u>
Addition/(Disposal) in investment . . . . .	—	6,901	—	1,241	—	1,166	9,308
Equity method earnings/(losses) . . . . .	195	24	85	63	(190)	(148)	29
Reclass from equity securities with readily determinable fair values . . . . .	—	1,770	—	—	—	—	1,770
Dividend payments . . . . .	—	—	(17)	(16)	—	(12)	(45)
Foreign exchange and other adjustment . . . . .	18	(233)	—	(8)	(4)	18	(209)
<b>December 31, 2019</b> . . . . .	<u>5,496</u>	<u>8,462</u>	<u>2,798</u>	<u>2,478</u>	<u>991</u>	<u>2,816</u>	<u>23,041</u>
Addition/(Disposal) in investment . . . . .	—	—	—	70	(397)	215	(112)
Equity method earnings/(losses) . . . . .	135	(1,529)	(55)	133	(61)	(348)	(1,725)
Reclass to available-for-sale debt investments . . . . .	—	—	—	—	(538)	—	(538)
Dividend payments . . . . .	—	—	(11)	(42)	—	(12)	(65)
Impairments . . . . .	—	(733)	—	—	—	(107)	(840)
Foreign exchange and other adjustment . . . . .	(89)	(506)	—	(113)	5	(151)	(854)
<b>December 31, 2020</b> . . . . .	<u>5,542</u>	<u>5,694</u>	<u>2,732</u>	<u>2,526</u>	<u>—</u>	<u>2,413</u>	<u>18,907</u>

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(2) Equity securities with readily determinable fair values:

	Huazhu (Nasdaq: HTHT)	China Eastern Airline (SSE: 600115)	MakeMyTrip (Nasdaq: MMYT)	TripAdvisor (Nasdaq: TRIP)	Others	Total
<b>January 1, 2018</b> .....	<b>5,180</b>	<b>3,825</b>	<b>2,092</b>	<b>398</b>	<b>940</b>	<b>12,435</b>
Disposal in investment .....	—	—	—	(270)	—	(270)
Fair value changes .....	(1,103)	(1,612)	(398)	60	(11)	(3,064)
Reclass to equity method investments and reclass from available-for-sale debt investments .....	—	—	—	—	(472)	(472)
Foreign exchange and other adjustment .....	263	—	108	9	(14)	366
<b>December 31, 2018</b> .....	<b>4,340</b>	<b>2,213</b>	<b>1,802</b>	<b>197</b>	<b>443</b>	<b>8,995</b>
Addition in investment .....	—	—	—	171	144	315
Fair value changes .....	1,745	494	(103)	(84)	282	2,334
Reclass to equity method investments and reclass from equity securities without readily determinable fair values .....	—	—	(1,770)	—	16	(1,754)
Foreign exchange and other adjustment .....	65	—	71	2	9	147
<b>December 31, 2019</b> .....	<b>6,150</b>	<b>2,707</b>	<b>—</b>	<b>286</b>	<b>894</b>	<b>10,037</b>
Addition/(Disposal) in investment . . .	—	—	—	792	(459)	333
Fair value changes .....	737	(526)	—	317	(121)	407
Foreign exchange and other adjustment .....	(410)	—	—	(89)	(43)	(542)
<b>December 31, 2020</b> .....	<b>6,477</b>	<b>2,181</b>	<b>—</b>	<b>1,306</b>	<b>271</b>	<b>10,235</b>

Our investments decreased by 7% from RMB51.3 billion as of December 31, 2019 to RMB47.9 billion as of December 31, 2020, primarily due to the losses incurred from our equity method investments, mainly in MakeMyTrip, which was significantly impacted by the COVID-19 pandemic. Our investments as of December 31, 2019 increased by 91% from RMB26.9 billion as of December 31, 2018, primarily due to investment in MakeMyTrip and we strategically invested a portion of the cash previously invested in short-term financial products to long-term products in 2019 to achieve an optimized rate of investment return.

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### Short-term Debt and Current Portion of Long-term Debt

Our short-term debt and current portion of long-term debt increased by 10% from RMB30.5 billion as of December 31, 2019 to RMB33.7 billion as of December 31, 2020. Our short-term debt and current portion of long-term debt as of December 31, 2019 decreased by 15% from RMB36.0 billion as of December 31, 2018. The following table sets forth our short-term debt and current portion of long-term debt as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in millions)		
Short-term bank borrowings and current portion of long-term loan	25,090	21,118	26,756
Securitization debt	608	—	384
2020 Notes	—	4,873	—
2022 Notes	6,703	—	—
2025 Notes	—	2,785	—
2019 Booking Notes	3,438	—	—
2020 Booking Notes	—	1,740	—
2022 Booking Notes	172	—	—
2025 Booking and Hillhouse Notes	—	—	6,525
<b>Total</b>	<u>36,011</u>	<u>30,516</u>	<u>33,665</u>

For a detailed discussion on our past debt facilities, see “—Contractual Obligations.”

### Long-term Debt

Our long-term debt increased by 16% from RMB19.5 billion as of December 31, 2019 to RMB22.7 billion as of December 31, 2020. Our long-term debt as of December 31, 2019 decreased by 19% from RMB24.1 billion as of December 31, 2018. The following table sets forth our long-term debt as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in millions)		
2020 Notes	4,813	—	—
2025 Notes	2,750	—	31
2022 Notes	—	353	331
2020 Booking Notes	1,719	—	—
2025 Booking and Hillhouse Notes	6,876	6,962	—
2022 Booking Notes	—	174	163
Exchangeable Senior Notes	—	—	4,249
Long-term loan	8,035	10,981	17,797
Securitization debt	—	1,074	147
Less: Debt issuance cost	(47)	(7)	(0)
<b>Total</b>	<u>24,146</u>	<u>19,537</u>	<u>22,718</u>

For a detailed discussion on our past debt facilities, see “—Contractual Obligations.”

We diligently monitor our financial performance and proactively take precautionary measures from time to time to maintain our compliance with financial covenants under our long-term loan arrangements. Pursuant to the relevant loan agreements, we periodically test our compliance with financial covenants such as total assets, debt to asset ratio, and net debt-to-EBITDA ratio, and issue compliance certificates to the relevant lenders. We have been in compliance with the operating and financing covenants in our long-term loan agreements throughout the Track Record Period and up to the Latest Practicable Date.

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### Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of our acquisitions of interests in our subsidiaries and consolidated VIEs. Our goodwill was RMB58.0 billion, RMB58.3 billion, and RMB59.4 billion as of December 31, 2018, 2019, and 2020, respectively.

In December 2015, we consolidated Qunar through a step acquisition. The total acquisition cost was RMB32.5 billion. The fair values of net liabilities assumed in this transaction and non-controlling interest were RMB628 million and RMB17.9 billion, respectively. The RMB9.9 billion newly identifiable intangible assets of Qunar primarily consist of trademark and domain, technology, and supplier network for new products. We recognized deferred tax liability of RMB2.5 billion for the identifiable intangible assets. We also recognized goodwill of RMB43.6 billion in this acquisition.

In December 2016, we consummated an acquisition of Skyscanner with a total consideration of RMB12.0 billion, consisting of RMB10.1 billion in cash and our ordinary shares. The fair values of net assets and non-controlling interest were RMB325 million and RMB316 million, respectively. The RMB3.1 billion newly identifiable intangible assets primarily consist of trademark and domain, supplier relationship, and IT Platform. We recognized deferred tax liability of RMB620 million for the identifiable intangible assets. We also recognized goodwill of RMB9.5 billion in this acquisition.

The goodwill that we recognized from business acquisitions is primarily attributable to the expected synergies from combining operations of the acquire and the acquirer to further build and strengthen the vibrant travel ecosystem of the enlarged group. Such synergies include (1) the expected but unidentifiable business growth from consolidating the fragmented domestic travel market; (2) the strengthened market position and increased market presence through expanding travel offerings; (3) the enhanced relationship with travel ecosystem partners and increased popularity among users; and (4) the more efficient operation with reduced costs through combining redundant processes and facilities. In addition, the goodwill also includes the work force that is not separately recognized in the purchase price allocation.

We operate our business as a single report unit since we adopted a highly integrated strategy for our operations and acquired businesses as there is a high degree of collaboration and interdependency between the acquired businesses and us. The businesses we acquired in the past were related to travel industry and we consolidated their existing relationships with ecosystem partners and travel offerings on our platform after acquisitions to realize economies of scale and offer more comprehensive services to our users. In addition, we also integrated various functions of the acquired businesses such as resources and technological innovations, new travel offering development, and activity coordination in key markets across our Company to achieve the operation efficiency.

### Impairment for Goodwill and Other Intangible Assets

For 2018, 2019, and 2020, we did not recognize any impairment charges for goodwill or intangible assets, because we did not conduct quantitative impairment test to these items as we did not find it necessary. For goodwill, in accordance with ASC 350-20-35-3, we first assessed the fair value of our single reporting unit by reference to our market capitalization. As our market capitalization as of December 31, 2020 gave us sufficient headroom over the carrying value of our net assets, we concluded that though the COVID-19 pandemic has significantly impacted our results of operations in 2020, the indicative fair value of our reporting unit is still higher than the carrying value with sufficient headroom, and therefore we did not further performed a quantitative test. For intangible assets with indefinite useful lives, in accordance with ASC 350-30-35-18, we first performed a qualitative assessment to determine whether a quantitative impairment test would be necessary. The intangible



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assets with indefinite useful lives were primarily derived from business acquisitions for the operation of the acquired businesses which were integrated with our business after the acquisitions. Similar to the qualitative test performed for goodwill, we reviewed the results of operations of our reporting unit and took into consideration of the headroom from qualitative assessment. We then concluded that there were no indicators to devalue the acquired intangible assets. As a result, no quantitative testing was performed.

### WORKING CAPITAL

We had net current assets of RMB10.6 billion as of December 31, 2018, and net current liabilities of RMB1.2 billion, and RMB358 million as of December 31, 2019, and 2020.

The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of
	2018	2019	2020	January 31, 2021
	(RMB in millions)			(unaudited)
<b>Current assets:</b>				
Cash, cash equivalents, and restricted cash	25,774	21,747	19,415	23,950
Short-term investments	36,753	23,058	24,820	26,992
Accounts receivable, net	5,668	7,661	4,119	3,751
Prepayments and other current assets	11,199	15,489	9,657	8,246
<b>Total current assets</b>	<b>79,394</b>	<b>67,955</b>	<b>58,011</b>	<b>62,939</b>
<b>Current liabilities:</b>				
Short-term debt and current portion of long-term debt	36,011	30,516	33,665	38,874
Accounts payable	11,714	12,294	4,506	3,437
Advances from customers	9,472	11,675	7,605	7,110
Other current liabilities	11,587	14,697	12,593	12,161
<b>Total current liabilities</b>	<b>68,784</b>	<b>69,182</b>	<b>58,369</b>	<b>61,582</b>
<b>Net current assets/(liabilities)</b>	<b>10,610</b>	<b>(1,227)</b>	<b>(358)</b>	<b>1,357</b>

Our net current assets was RMB1.4 billion as of January 31, 2021, as compared to our net current liabilities of RMB358 million as of December 31, 2020, primarily due to an increase in short-term investment of RMB2.2 billion mainly as a result of the reclassification of long-term held to maturity investments which will be mature within one year and a decrease in accounts payable of RMB1.1 billion, partially offset by the decrease in prepayments and other current assets of RMB1.4 billion, which was as a result of the impact of the COVID-19 pandemic.

Our net current liabilities was RMB358 million as of December 31, 2020, as compared to RMB1.2 billion as of December 31, 2019, primarily due to a decrease in accounts payable of RMB7.8 billion and accounts receivable of RMB3.5 billion, which was as a result of the impact of the COVID-19 pandemic, partially offset by an increase in short-term debt and current portion of long-term debt of RMB3.1 billion, mainly due to the loan facility we obtained in 2020.

Our net current liabilities was RMB1.2 billion as of December 31, 2019, as compared to our net current assets of RMB10.6 billion as of December 31, 2018, primarily due to the decrease in short-term investments from RMB36.8 billion as of December 31, 2018 to RMB23.1 billion as of December 31, 2019, which was mainly because we strategically applied a portion of the cash previously invested in short-term financial products to invest in long-term products in 2019 to achieve an optimized rate of investment return.

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For a detailed discussion on our cash position as well as material changes in the various working capital items, see “—Liquidity and Capital Resources.”

Taking into account cash and cash equivalents on hand, our operating cash flows, the available bank facilities, and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

### OFF-BALANCE SHEET ARRANGEMENTS

In connection with our air ticketing business, we are required by the China Air Transport Association and International Air Transport Association to enter into guarantee arrangements and to pay deposits. The unused deposits are repaid at the end of the guaranteed period on an annual basis. As of December 31, 2020, the total quota of the air tickets that we were entitled to issue was up to RMB1.1 billion. The total amount of the deposit we paid was RMB146 million.

Based on the guarantee arrangements and historical experience, the maximum amount of the future payments is RMB943 million, which is the guaranteed amount of the air tickets that we could issue rather than a financial guarantee. We will be liable to pay only when we issue the air tickets to our users and such payable is included in the accounts payable. Therefore, we believe that the guarantee arrangements do not constitute any contractual and constructive obligation of us and has not recorded any liability beyond the amount of the tickets that have already been issued.

### MATERIAL RELATED PARTY TRANSACTIONS

For details of our related party transactions, see “Related Party Transactions” and Note 13 to the Accountant’s Report in Appendix I to this prospectus. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest income generated by bank deposit and short term investment, as well as interest expenses associated with floating rate based bank borrowings and syndicated loans. For information about these notes and bank borrowings, see “Contractual Obligations.” We have used interest swap contracts to hedge our exposure to interest rate risk. Based on our cash balance as of December 31, 2020, a one basis point decrease in interest rates would result in a RMB5 million decrease in our interest income on an annual basis. Our future interest income may fluctuate in line with changes in interest rates. However, the risk associated with fluctuating interest rates is principally confined to our interest-bearing cash deposits, and, therefore, our exposure to interest rate risk is limited.

#### Foreign Exchange Risk

The majority of our revenues are denominated in Renminbi. While a portion of our financial assets, financial liabilities and dividend payments are denominated in U.S. dollars, we may use foreign exchange spot, forwards, or other contracts to hedge our exposure to foreign currency risk where we deem necessary. Any significant revaluation of Renminbi against U.S. dollar may adversely affect our cash flow, earnings, and financial position, and the value of, and any dividends payable on, our Shares

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and ADSs. In 2020, foreign exchange losses accounted for 1% of our net loss. As of December 31, 2020, a 1% strengthening or weakening of Renminbi against U.S. dollars would have increased or decreased our net loss by 0.5%. See “Risk Factors—Risks Relating to Doing Business in China—Future movements in exchange rates between U.S. dollars and Renminbi may adversely affect the value of our Shares or ADSs.”

### Investment Risk

As of December 31, 2020, our equity method investments totaled US\$2.9 billion. We periodically review our investments for impairment. Unrealized gains on transactions between the affiliated entity and us are eliminated to the extent of our interest in the affiliated entity; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. We are unable to control these factors and an impairment charge recognized by us will impact our operating results and financial position.

### Inflation

Inflation in China has not materially impacted our results of operations. According to NBS, the year-over-year percent changes in the consumer price index for December 2018, 2019, and 2020 were increases of 1.9%, 4.5%, and 0.2%, respectively. Inflation in recent years has been associated with food and other consumption items and minimum wages in China. Consumption items do not represent major direct cost items for our business. While personnel costs represent a material part of our total operating costs and expenses, inflation in minimum wages in China primarily affects certain categories of our non-managerial staff costs while increases in total personnel costs of our business remain manageable. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

### Revenue Recognition

We describe our revenue recognition policies in our consolidated financial statements. We present substantially all of our revenues on a net basis as the travel supplier is primarily responsible for providing the underlying travel services and we do not control the service provided by the travel supplier to the traveler. Revenues are recognized on a gross basis where we undertake substantive inventory risks by pre-purchasing inventories.

On January 1, 2018, we adopted new revenue guidance ASC Topic 606, “Revenue from Contracts with Customers” (“ASC 606”). The new standard did not change the presentation of our

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revenues, which continues to be substantially reported on a net basis. However, the timing of revenue recognition for certain revenue streams is changed under the new standard. In particular, revenue for accommodation reservation services, which used to be recognized after end-users completed their stays, is now recognized when the reservation becomes non-cancellable. Revenue for packaged-tour services, which used to be recognized when packaged tours were completed, is now recognized on the departure date of the tours.

### **Business Combination**

We apply ASC 805 “Business Combination,” which requires that all business combinations not involving entities or business under common control be accounted for under the acquisition method. The cost of an acquisition is measured as the aggregate of fair values at the date of exchange of assets given, liabilities incurred and equity instruments issued. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of non-controlling interests and acquisition date fair value of any previously held equity interest in an acquiree over (ii) the fair value of identifiable net assets of an acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of a subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income.

### **Fair value of available-for-sale debt investments**

We had available-for-sale debt investments during the Track Record Period as set out in note 8 to the Accountant’s Report in Appendix I. We report available-for-sale debt investments at fair value at each balance sheet date and changes in fair value are reflected in the statements of income and comprehensive income. Management determined the fair value of these Level 3 investments based on income approach using various unobservable inputs. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our own specific data. However, it should be noted that some inputs, such as revenue growth rate and lack of marketability discounts, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of available-for-sale debt investments. The fair values of the available-for-sale debt investments are set out in note 7 to the Accountant’s Report in Appendix I.

In relation to the valuation of the available-for-sale debt investments, our Directors, based on the professional advice received, adopted the following procedures: (i) obtained and reviewed the capability statements and credentials provided by Avista and Duff&Phelps. Based on which, we believe that both Avista and Duff&Phelps have significant experience and adequate expertise in valuation services and are therefore qualified to perform our roles; (ii) provided the independent valuers with necessary financial and non-financial information as required so as to enable the valuers to perform the pertinent valuation assessment. For the forecast of operation results and cash flow performances, we take a prudently reasonable approach as to determine the significant estimates, including the revenue growth rate, and makes necessary adjustments on periodical basis to reflect the actual development of the underlying business; (iii) keep frequent discussion with valuers and review their valuation work papers and reports. During which, we carefully understand and evaluate the appropriateness and reasonableness of the overall valuation methodologies, computation basis, significant assumptions and estimates therein, including weighted average cost of capital, lack of marketability discounts, expected volatilities and probabilities in equity allocation; and (iv) review the

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results of the fair value assessments to understand the reasonableness of the changes of the fair values of the investments. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of available-for-sale debt investments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 8 of the Accountant's Report in Appendix I to this prospectus. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-1 to I-3 of Appendix I to this prospectus.

In relation to the valuation of the available-for-sale debt investments, the Joint Sponsors have conducted relevant due diligence work, including but not limited to (i) review of relevant notes in the Accountant's Report set forth in Appendix I to this document; (ii) discussed with the Company to understand (a) the procedures performed for such valuation; (b) the key factors, valuation methodologies and key assumptions taken into account by the Company as advised by the independent valuer; and (c) the internal control process undertaken by the Company for reviewing the relevant valuation; (iii) review of the professional qualification and previous experience of the independent valuer engaged by the Company through desktop search; and (iv) discussed with PricewaterhouseCoopers, the reporting accountant of the Company, on its work performed in this regard. Having considered the work done by the Directors and PricewaterhouseCoopers and the relevant due diligence done as stated above, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the views of the Directors and PricewaterhouseCoopers in respect of the valuation of the available-for-sale debt investments.

### **Investment**

Our investments include equity method investments, equity securities without readily determinable fair values, equity securities with readily determinable fair values, held to maturity debt securities, and available-for-sale debt securities. We apply equity method in accounting for the investments in entities in which we have the ability to exercise significant influence but do not have control and the investments are in either common stock or in-substance common stock. Unrealized gains on transactions between an affiliated entity and us are eliminated to the extent of our interest in the affiliated entity; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity securities without readily determinable fair values are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes. Prior to the fiscal year of 2018, these securities were accounted for using the cost method of accounting, measured at cost less other-than-temporary impairment. Equity securities with readily determinable fair values are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded through the income statement. Prior to 2018, these securities were classified as available-for-sale securities and measured and recorded at fair value with unrealized changes in fair value recorded through other comprehensive income. Debt securities that we have positive intent and ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost.

We have classified our investments in debt securities, other than the held to maturity debt securities, as available-for-sale securities. Available-for-sale debt securities are reported at estimated fair value with the aggregate unrealized gains and losses, net of tax, reflected in "Accumulated other comprehensive loss" in the consolidated balance sheets. If the amortized cost basis of an



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available-for-sale security exceeds its fair value and if we have the intention to sell the security or it is more likely than not that our will be required to sell the security before recovery of the amortized cost basis, an impairment is recognized in the consolidated statements of operations. If we do not have the intention to sell the security and it is not more likely than not that we will be required to sell the security before recovery of the amortized cost basis and we determines that the decline in fair value below the amortized cost basis of an available-for-sale security is entirely or partially due to credit-related factors, the credit loss is measured and recognized as an allowance for credit losses along with the operating expense in the consolidated statements of operations. The allowance is measured as the amount by which the debt security's amortized cost basis exceeds our best estimate of the present value of cash flows expected to be collected.

We monitor our investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information. In light of the global spread of the COVID-19 pandemic and potentially prolonged decline of share prices of publicly traded companies in which we have invested, which is considered one of the indicators of impairment on our investments that are not measured at fair values, we may need to recognize significant downward adjustments or impairment to our investments.

### **Goodwill, Intangible Assets, and Long-Lived Assets**

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of our acquisitions of interests in its subsidiaries and consolidated affiliated Chinese entities. Goodwill is not amortized but is reviewed at least annually for impairment or earlier, if an indication of impairment exists. Recoverability of goodwill is evaluated using a two-step process. In the first step, the fair value of a reporting unit is compared to its carrying value. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is considered not impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the fair value of a reporting unit, the second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. Determining the implied fair value of goodwill requires valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. We estimate total fair value of the reporting unit using discounted cash flow analysis, and makes assumptions regarding future revenue, gross margins, working capital levels, investments in new products, capital spending, tax, cash flows, and the terminal value of the reporting unit. Separately identifiable intangible assets that have determinable lives continue to be amortized and consist primarily of non-compete agreements, customer list, supplier relationship, technology and business relationship. We amortize intangible assets on a straight-line basis over their estimated useful lives, which is 3 to 15 years. The estimated life of amortized intangibles is reassessed if circumstances occur that indicate the life has changed. Other intangible assets that have indefinite useful life primarily include trademark and domain names. We evaluate indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment. We estimate total fair value of the reporting unit using discounted cash flow analysis, and makes assumptions regarding future revenue, gross margins, working capital levels, investments in new products, capital spending, tax, cash flows, and the terminal value of the reporting unit. Long-lived assets (including intangible with definite lives) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Reviews are performed to determine whether the carrying value of asset group is impaired, based on



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comparison to undiscounted expected future cash flows. If this comparison indicates that there is impairment, we recognize impairment of long-lived assets to the extent the carrying amount of such assets exceeds the fair value. In 2018, 2019, and 2020, we did not recognize any impairment charges for goodwill or intangible assets. If different judgments or estimates had been utilized, however, material differences could have resulted in the amount and timing of the impairment charge. We may potentially incur significant impairment charges if the recoverability of these assets become substantially reduced in the future. Any such impairment charges would adversely affect our financial condition and results of operations. In addition, in the case that the trading prices of our Shares and ADSs decline as a result of the potentially prolonged impacts from the COVID-19 pandemic or other factors, and the amount by which the share price exceeded the carrying value of the reporting unit becomes minimal, it may be considered an indicator for us to perform goodwill impairment test and we may need to recognize impairment on goodwill or other long lived assets.

### **Rewards Program**

We offer a rewards program that allows our users to participate in a loyalty points program. The points awarded from services can be redeemed for cash or used to purchase gifts on our website and mobile platforms. The estimated incremental costs of the loyalty points program are recognized as sales and marketing expense, or as reduction of the revenue, depending on whether they can be redeemed to gifts or used as cash, and accrued for as a current liability. As members redeem awards or their entitlements expire, the accrued liability is reduced correspondingly. As of December 31, 2018, 2019, and 2020, our accrued liability for rewards program were approximately RMB528 million, RMB478 million, and RMB478 million, respectively, based on the estimated liabilities under the rewards program.

### **Share-Based Compensation**

We follow ASC 718 “Stock Compensation,” using the modified prospective approach. Under the fair value recognition provisions of ASC 718, we recognize share-based compensation net of an estimated forfeiture rate and therefore only recognize compensation cost for those shares expected to vest over the service period of the award. Under ASC 718, we applied the Black-Scholes valuation model in determining the fair value of options granted. Risk-free interest rates are based on US Treasury yield for the terms consistent with the expected life of award at the time of grant. Expected life is based on historical exercise patterns. Expected dividend yield is determined in view of our historical dividend payout rate and future business plan. We estimate expected volatility at the date of grant based on historical volatilities. We recognize compensation expense on all share-based awards on a straight-line basis over the requisite service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future change in circumstances and facts, if any. If actual forfeitures differ from those estimates, we may need to revise those estimates used in subsequent periods. According to ASC 718, a change in any of the terms or conditions of stock options shall be accounted for as a modification of the plan. Therefore, we calculate incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, we would recognize incremental compensation cost in the period the modification occurs and for unvested options, we would recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

On November 23, 2007, our board of directors declared a dividend of one ordinary share purchase right for each of our ordinary shares outstanding at the close of business on December 3, 2007. The shareholder rights agreement is placed to discourage unfriendly or unauthorized takeover

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## FINANCIAL INFORMATION

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attempts, and is considered as a dividend from accounting perspective. The exercisable condition of the ordinary share purchase right is the accumulation of a significant percentage of our total outstanding shares by certain shareholders. Upon the occurrence of exercisable condition, the issuance of rights to eligible shareholders on a pro rata basis will be accounted for as a dividend with the offsetting entry recorded to additional paid in capital. As of December 31, 2020, the exercisable condition of the shareholder rights had not been met.

### Leases

We began to apply ASC 842, “Leases,” on January 1, 2019 on a modified retrospective basis and has elected not to recast comparative periods. We determine if an arrangement is a lease at inception. Operating leases are primarily for office and operation space and are included in ROU assets, other payables and accruals, and long-term lease liabilities on our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. The operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease. Renewal options are considered within the ROU assets and lease liability when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For operating leases with a term of one year or less, we have elected to not recognize a lease liability or ROU asset on our consolidated balance sheet. Instead, we recognize the lease payments as expense on a straight-line basis over the lease term. Short-term lease costs are immaterial to our consolidated statements of operations and cash flows. We have operating lease agreements with insignificant non-lease components and have elected the practical expedient to combine and account for lease and non-lease components as a single lease component.

### Deferred Tax Valuation Allowances

We provide a valuation allowance on our deferred tax assets to the extent we consider it to be more likely than not that we will be unable to realize all or part of such assets. Our future realization of our deferred tax assets depends on many factors, including our ability to generate taxable income within the period during which temporary differences reverse or before our tax loss carry-forwards expire, the outlook for the Chinese economy and overall outlook for our industry. We consider these factors at each balance sheet date and determine whether valuation allowances are necessary. As of December 31, 2018, 2019, and 2020, we recorded deferred tax assets of RMB850 million, RMB976 million, and RMB1.4 billion, respectively. If, however, unexpected events occur in the future that would prevent us from realizing all or a portion of our net deferred tax assets, an adjustment would result in a charge to income in the period in which such determination was made. As of December 31, 2018, 2019, and 2020, it is more likely than not that the deferred tax assets resulting from the net operating losses of certain subsidiaries will not be realized. Hence, we recorded valuation allowance against our gross deferred tax assets in order to reduce the deferred tax assets to the amount that is more likely than not to be realized. Also, we have elected to early adopt a new accounting guidance issued by the FASB to simplify the presentation of deferred income taxes on the Balance Sheet Classification. Starting December 31, 2015 and prospectively, deferred tax assets and liabilities, along with related valuation allowances are classified as noncurrent on the balance sheet.

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### **Allowance for Expected Credit Losses**

On January 1, 2020, we adopted the accounting standards update on the measurement of credit losses, which requires us to estimate lifetime expected credit losses upon recognition of the financial assets. We adopted the accounting standards update using a modified retrospective approach. Upon adoption of the new standard on January 1, 2020, we recorded a net decrease to our retained earnings of RMB83 million, net of tax.

Our accounts receivable, prepayments and other current assets (including the receivables of financial services), due from related parties, long-term deposits and prepayments and long-term receivables due from related parties are within the scope of ASC Topic 326. We have identified the relevant risk characteristics of our customers and the related receivables and prepayments, which include size, type of the reservation services we provide or geographic location of the customer, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, we consider the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact our receivables. Additionally, external data and macroeconomic factors are also considered. This is assessed at each quarter based on our specific facts and circumstances.

In 2020, we facilitated and processed significant volume of the reservation cancellation requests from the end users due to the COVID-19 pandemic which resulted in the significant increase of the accounts receivables due from the customers (i.e. the travel suppliers) as a result of the refunds we paid the end users on behalf of our customers and will collect from our customers. Given the business disruptions and financial challenges faced by our customers as driven by the COVID-19 pandemic, we have further analyzed the credit risks of our customers with the considerations including the recent credit losses, repayment pattern and business conditions and has increased our allowance for expected credit losses on receivables from and prepayments to our customers. Such analysis was performed based on individual customer's level or a group of customers level depends on the amount and extent of overdue as well as the risk characteristics of the different customers. Up to February 28, 2021, we have settled RMB3.2 billion of our accounts receivables outstanding as of December 31, 2020. As of the Latest Practicable Date, we have not encountered any material dispute or disagreements with our travel partners in respect of the amount of refunds to be reimbursed by such travel partners.

Significant judgments and assumptions are required to estimate the allowance for expected credit losses on receivables from and prepayments to customers and such assumptions may change in future periods, particularly the assumptions related to the impact of the COVID-19 pandemic on the business prospects and financial condition of customers and our ability to collect the receivable or recover the prepayment. As of December 31, 2018, 2019 and 2020, the allowance for expected credit losses was RMB156 million, RMB256 million, and RMB799 million, respectively. The increase of allowance for expected credit losses in 2020 was primarily attributable to the increased receivables mainly due to the refunds for reservation cancellations that we paid on behalf of our ecosystem partners that are subject to the increased credit risks as a result of the COVID-19 pandemic.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

For a summary of recently issued accounting pronouncements, see Note 2 to the Accountant's Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### **DIVIDEND POLICY**

We have not distributed dividends to our shareholders of record during the Track Record Period, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law, namely, we may only pay dividends out of profits or our share premium account, and provided further that a dividend may not be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency, and amount of our dividends will depend upon our future operations and earnings, capital requirements and surplus, financial condition, contractual restrictions, and other factors that our board of directors may deem relevant. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

### **NO MATERIAL ADVERSE CHANGE**

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that except as disclosed in “—Impact of the COVID-19 pandemic on Our Operations,” up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2020, being the end date of the periods reported on in the Accountant’s Report included in Appendix I to this prospectus, and there is no event since December 31, 2020 that would materially affect the information as set forth in the Accountant’s Report included in Appendix I to this prospectus.

### **LISTING EXPENSE**

We expect to incur listing expenses of up to approximately RMB150 million (assuming that the Global Offering is conducted at the indicative offer price per Offer Share of HK\$333.00 for both Hong Kong Public Offering and International Offering and the Over-allotment Option is not exercised). We expect to recognize RMB2 million as general and administrative expenses in the year ending December 31, 2021 and RMB148 million as a deduction in equity directly.

### **PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following is our illustrative pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules. It is for illustrative purposes only, and is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the owners of the Company as of December 31, 2020 as if the Global Offering had taken place on December 31, 2020.

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The pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Global Offering been completed as of December 31, 2020 or any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of the Company as of December 31, 2020 as derived from the Accountant's Report, set forth in Appendix I to this prospectus and adjusted as described below.

	<b>Consolidated Net Tangible Assets Attributable to Ordinary Shareholders of Our Company as of December 31, 2020</b>	<b>Estimated Net Proceeds from the Global Offering</b>	<b>Pro Forma Adjusted Net Tangible Assets Attributable to Ordinary Shareholders of Our Company as of December 31, 2020</b>	<b>Pro Forma Adjusted Net Tangible Assets per Share</b>	<b>Pro Forma Adjusted Net Tangible Assets per ADS</b>	<b>Pro Forma Adjusted Net Tangible Assets per Share</b>	<b>Pro Forma Adjusted Net Tangible Assets per ADS</b>
	<b>(in millions of RMB) (Note 1)</b>	<b>(in millions of RMB) (Note 2)</b>	<b>(in millions of RMB)</b>	<b>RMB (Note 3)</b>	<b>RMB (Note 4)</b>	<b>HK\$ (Note 5)</b>	<b>HK\$ (Note 5)</b>
Based on Offer Price of HK\$333.00 per Share . . .	27,745	8,717	36,462	57.63	57.63	68.47	68.47

*Notes:*

- (1) The consolidated net tangible assets attributable to ordinary shareholders of our Company as of December 31, 2020 is derived from the historical financial information contained in the Accountant's Report set forth in Appendix I to this prospectus, which is based on the consolidated net assets attributable to ordinary shareholders of our Company as of December 31, 2020 of RMB100.4 billion with an adjustment for the intangible assets and goodwill attributable to the ordinary shareholders of our Company of RMB13.3 billion and RMB59.4 billion, respectively.
- (2) The estimated net proceeds from the Global Offering are based on 31,635,600 Shares at the Offer Prices of HK\$333.00 per Offer Share after deduction of the underwriting fees and other related expenses paid or payable by our Company and which the Share Subdivision that became effective on March 18, 2021 has been taken into account. It does not take into account any allotment and issuance of Shares upon exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by our Company.
- (3) The pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 632,711,112 Shares were in issue assuming that the Global Offering had been completed on December 31, 2020 and which the Share Subdivision that became effective on March 18, 2021 has been taken into account. It does not take into account any allotment and issuance of Shares upon exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by our Company after the Latest Practicable Date.
- (4) The pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represents one Share.
- (5) For the purpose of this pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8416 to HK\$1.00, as set out in "Information about this Document and the Global Offering". No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to the pro forma adjusted net tangible assets of our Company to reflect any trading results or other transactions of our Company entered into subsequent to December 31, 2020 except for taking the Share Subdivision that became effective on March 18, 2021 into account.

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

The following table sets forth information regarding our directors and senior management:

Name <sup>(1)</sup>	Age	Position/Title	Date of appointment	Year of joining our Group
Jianzhang Liang (also known as James Jianzhang Liang) . . . . .	51	Co-founder; Executive Chairman of the Board	March 2000	1999
Min Fan . . . . .	55	Co-founder; Vice Chairman of the Board and President	October 2006	1999
Jie Sun (also known as Jane Jie Sun) . . . . .	52	Chief Executive Officer and Director	November 2016	2005
Yanhong Li (also known as Robin Yanhong Li) . . . . .	52	Director	October 2015	2015
Dou Shen . . . . .	41	Director	October 2019	2019
Nanpeng Shen (also known as Neil Nanpeng Shen) . . . . .	53	Co-founder; Independent Director <sup>(2)</sup>	March 2000	1999
Qi Ji . . . . .	54	Co-founder; Independent Director <sup>(2)</sup>	March 2000	1999
Gabriel Li . . . . .	53	Vice Chairman of the Board, Independent Director <sup>(2)</sup>	March 2000	2000
JP Gan . . . . .	49	Independent Director <sup>(2)</sup>	April 2002	2002
Xiaofan Wang (also known as Cindy Xiaofan Wang) . . . . .	45	Chief Financial Officer and Executive Vice President	November 2013	2001

*Notes:*

- (1) Our board consists of nine directors, including four independent directors. See “—Board Practices” for the functions and duties of our board. Our board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws, including the Hong Kong Listing Rules.
- (2) Our independent directors under applicable U.S. regulations are also independent non-executive directors for the purpose of the Hong Kong Listing Rules. We have determined that all of JP Gan, Gabriel Li and Neil Nanpeng Shen qualify as an “audit committee financial expert” under the applicable rules of the SEC and has the appropriate professional accounting or financial management experience.

Pursuant to the currently effective Articles of Association of our Company, our board of directors consists of nine directors, including without limitation: (i) three directors appointed by our co-founders consisting of Messrs. James Jianzhang Liang, Neil Nanpeng Shen, Qi Ji, and Min Fan, subject to the approval of a majority of our independent directors; and (ii) one director who is the current chief executive officer of our Company. Each of our directors will hold office until such director’s successor is elected and duly qualified, or until such director’s earlier death, bankruptcy, insanity, resignation or removal. There are no family relationships among any of the directors or executive officers of our Company.

Save as disclosed below in this document, none of our directors held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document and there are no family relationships among any of the directors or executive officers of our Company. See “Major Shareholders” for disclosure of interests of the directors and executive officers. Save as disclosed in this document, there is no material matter relating to our directors that needs to be brought to the attention of our shareholders and the information of our directors disclosed in this document complies with the requirements under Rule 13.51(2) of the Hong Kong Listing Rules in all material respects.

### BIOGRAPHIES

*James Jianzhang Liang (梁建章)* is one of the co-founders and the executive chairman of our Company. He has served as a member of our board of directors since our inception and has been the chairman of the board since August 2003. Mr. Liang served as our chief executive officer from 2000 to 2006, and from March 2013 to November 2016. Mr. Liang has served as a director of Sina Corporation (Nasdaq: SINA, delisted, privatized in March 2021) since December 2017, a director of MakeMyTrip Limited (Nasdaq: MMYT) since January 2016, a director of BTG Hotels Group (SSE:600258) since January 2017, and a director of Tongcheng-eLong (SEHK: 780) since 2016. Mr. Liang formerly served



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## DIRECTORS AND SENIOR MANAGEMENT

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on the boards of Tuniu Corporation (Nasdaq: TOUR), eHi Car Services Limited (NYSE: EHIC, delisted, privatized in April 2019), 51job, Inc (Nasdaq: JOBS), Jiayuan.com International Ltd. (Nasdaq: DATE, delisted, privatized in May 2016), and Homeinns Hotel Group (Nasdaq: HMIN, delisted, privatized in April 2016). Mr. Liang has won many accolades for his contributions to the Chinese travel industry, including Best CEO in the Internet category in the 2016 All-Asia Executive Team Rankings by Institutional Investor and 2015 China's Business Leader of the Year by Forbes. Mr. Liang obtained master's degrees in information and computer science from Georgia Institute of Technology in the United States in June 1991.

*Min Fan (范敏)* is one of the co-founders of our Company. Mr. Fan has been a member of our board of directors since October 2006 and has served as the vice chairman of our board of directors since March 2013. Mr. Fan has served as our president since February 2009. He also served as our chief executive officer from January 2006 to March 2013, as our chief operating officer from November 2004 to January 2006, and as our executive vice president from 2000 to November 2004. During his tenure as our chief executive officer, Mr. Fan was named one of the Top 10 Pioneer Leaders of the Year on the 2010 APEC China SME Value List, 2008 EY Entrepreneur of the Year (Services Category) and 2007 Best New Economic Figure of the Year. In 2009 and 2016, Mr. Fan was elected Vice Chairman of the Board of the China Tourism Association. Mr. Fan has served as an independent director of Leju Holdings Limited (NYSE: LEJU) since April 2014. He served as a director of Huazhu Group Limited (Nasdaq: HTHT, SEHK: 1179) from March 2010 to January 2018. Mr. Fan obtained his Master's and Bachelor's degrees in industrial engineering and management from Shanghai Jiao Tong University in January 1990 and July 1987, respectively.

*Jane Jie Sun (孫潔)* has served as the chief executive officer of our Company, as well as a member of the board of directors, since November 2016. Prior to that, she was a co-president since March 2015, chief operating officer since May 2012, and chief financial officer from 2005 to 2012. Ms. Sun is vice chair of the World Travel and Tourism Council, co-chair of the Development Advisory Board of University of Michigan and Shanghai Jiao Tong University Joint Institute, and a board member and Business Leaders Group Committee member of Business China established by Singapore's Founding Prime Minister Mr. Lee Kuan Yew. In 2019, Ms. Sun was awarded an Asia Society Asia Game Changer Award. Forbes named her one of the Emergent 25 Asia's Latest Star Businesswomen in 2018, and one of the Top 100 Businesswomen in China in 2017. She was also one of Fortune's Top 50 Most Powerful Women in Business, and one of Fast Company's Most Creative People in Business in 2017. During her tenure at our Group, she also won the Institutional Investor Awards for the Best CEO in July 2017 and the Best CFO in July 2011 and 2012. Ms. Sun received her Bachelor's degree in science in accounting from the Fisher School of Accounting at the University of Florida in August 1992 with high honors. She also obtained her LL.M. degree from Peking University Law School in July 2010. Ms. Sun has been a director of TripAdvisor, Inc. (Nasdaq: TRIP) since July 2020, a director of MakeMyTrip Limited (Nasdaq: MMYT) since August 2019, an independent director of iQIYI, Inc. (Nasdaq: IQ) since June 2018, and an independent director of TAL Education Group (NYSE: TAL) since October 2010.

*Robin Yanhong Li (李彦宏)*, has served as our director since October 2015. He is a co-founder of Baidu, Inc. (Nasdaq: BIDU, SEHK: 9888), the leading Chinese language Internet search provider. Mr. Li has served as the chairman of the board of directors of Baidu since its inception in January 2000 and as its chief executive officer since February 2004. He served as the president of Baidu from February 2000 to December 2003. Currently, Mr. Li acts as the vice president of the Internet Society of China (ISC). Mr. Li has also been a vice president of All-China Chamber of Industry & Commerce since 2012. Mr. Li has served as an independent director of New Oriental Education & Technology Group Inc. (Nasdaq: EDU; SEHK: 9901) since September 2006. He has also been chairman since 2009 and director of iQIYI, Inc. (Nasdaq: IQ) since 2009. Mr. Li received a bachelor's degree in information

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science from Peking University and a master's degree in computer science from the State University of New York at Buffalo.

*Dou Shen (沈抖)* has served as our director since October 2019. Dr. Shen has served as an executive vice president of Baidu, Inc. (Nasdaq: BIDU, SEHK: 9888) since May 2019. Dr. Shen has also been a director of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. since January 2018, and the chairman of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. since September 2020. Previously, Dr. Shen served as senior vice president of Baidu, Inc., overseeing the businesses related to Baidu App, Haokan short video app and Smart Mini Program. Dr. Shen joined Baidu in 2012 and has served in management roles in business lines, including web search, advertising display and the financial services group. Prior to joining Baidu, Dr. Shen worked at Microsoft and co-founded BuzzLabs, Inc., a company engaged in social media monitoring and analysis, which was subsequently acquired by CityGrid Media. Dr. Shen holds directorships at various other companies. Dr. Shen has been a director of iQIYI, Inc. (Nasdaq: IQ) since September 2019, has been a director of Kuaishou Technology (SEHK: 1024) since April 2018 and was previously a director of Uxin Limited (Nasdaq: UXIN) from May 2018 to November 2019. Dr. Shen received his bachelor's degree in information engineering (computer technology) from North China Electric Power University in Beijing, the PRC, in June 2001, a master's degree in computer science and technology from Tsinghua University in Beijing, the PRC, in July 2004, and a Ph.D. degree in computer science from the Hong Kong University of Science and Technology in Hong Kong in November 2007. Dr. Shen was awarded by Beijing Overseas Talent Service Joint Council as "Beijing High-Caliber Talent from Overseas" and "Beijing Distinguished Expert" in July 2014. Dr. Shen was also acknowledged by Beijing Senior Specialized Technique Qualification Evaluation Committee as a senior engineer in computer technology in May 2018.

*Neil Nanpeng Shen (沈南鹏)* is one of the co-founders of our Company and has been our Company's director since our inception and an independent director since October 2008. Neil Nanpeng Shen founded Sequoia Capital China in 2005 and has been serving as the founding managing partner since then. Mr. Shen served as our president from August 2003 to October 2005 and as chief financial officer from 2000 to October 2005. Mr. Shen also co-founded and served as co-chairman of Homeinns Hotel Group (formerly Home Inns & Hotels Management Inc.) (Nasdaq: HMIN, delisted), a leading economy hotel chain in China, which commenced operations in 2002. Currently, Mr. Shen also serves as a director of a number of public and private companies, including a director of BTG Hotels Group (SHSE: 600258) since January 2017, a director of Noah Holdings Limited (NYSE: NOAH) since January 2016, an independent director of Pinduoduo Inc. (Nasdaq: PDD) since April 2018, a non-executive director of Meituan (formerly Meituan Dianping) (SEHK: 3690) since October 2015, and a director of Ninebot Limited (SSE: 689009) since July 2015. Mr. Shen was a director of FinVolution Group (formerly PPD AI Group Inc.) (NYSE: FINV) from February 2017 to August 2018, as a director from May 2014 to December 2015 and independent director from December 2015 to December 2018 for Momo Inc. (NASDAQ: MOMO), a director of 360 Security Technology Inc. (SSE: 601360) from February 2018 to May 2020, and a non-executive director of China Renaissance Holdings Limited (SEHK: 1911) from June 2018 to June 2020. Mr. Shen received his Master's degree from Yale University in November 1992 and his Bachelor's degree in applied mathematics from Shanghai Jiao Tong University in July 1988.

*Qi Ji (季琦)* is one of the co-founders of our Company. He has served as our director since our inception and as an independent director since 2008. He was the chief executive officer and president of our Company from 1999 to 2001. Mr. Ji founded Huazhu Group Limited (Nasdaq: HTHT; SEHK: 1179), served as its director since February 2007. He has also served as the executive chairman of its board since August 2009 and its chief executive officer since November 2019. Prior to his current role, he also served at Huazhu Group Limited as chief executive officer from January 2012 to May 2015 and

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## DIRECTORS AND SENIOR MANAGEMENT

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from 2007 to August 2009. Mr. Ji has over 20 years of experience in the hospitality industry. He co-founded Homeinns Hotel Group (formerly Home Inns & Hotels Management Inc.) (Nasdaq: HMIN, delisted), and served as its chief executive officer from 2002 to January 2005. He received his bachelor degree in engineering mechanics and master degree in mechanical engineering from Shanghai Jiao Tong University in the PRC in 1989 and February 1992, respectively.

*Gabriel Li (李基培)* has served at different times on our board of directors since March 2000. Mr. Li has been vice chairman of our board since August 2003 and an independent director since October 2003. Mr. Li has been serving as the managing partner and a member of the investment committee of Orchid Asia Group Management Limited since August 2004. Mr. Li is a non-executive director of Qeeka Home (Cayman) Inc. (SEHK: 1739), where he has been a director since April 2015, and was a director of Sangfor Technologies Inc. (SZSE: 300454) from January 2017 to December 2019. Mr. Li graduated from the University of California in Berkeley, the United States, with a bachelor's degree in chemical engineering in May 1990. He received his master of science degree in chemical engineering practice from the Massachusetts Institute of Technology in the United States in September 1991, and his master's degree in business administration from Stanford University Business School in the United States in June 1995.

*JP Gan (甘劍平)* has served as our director since April 2002, and as an independent director since July 2005. Mr. Gan has been a founding partner of INCE Capital Limited since 2019. From December 2006 to June 2019, Mr. Gan was a managing partner of Qiming Venture Partners. From July 2005 to December 2006, Mr. Gan was the chief financial officer of KongZhong Corporation (Nasdaq: KZ, delisted), a wireless internet company formerly listed on the Nasdaq. Mr. Gan has been an independent director of BiliBili Inc. (Nasdaq: BILL, SEHK: 9626) since January 2015. Mr. Gan obtained his Masters of Business Administration from the University of Chicago Graduate School of Business in June 1999 and his Bachelor of Business Administration from the University of Iowa in May 1994.

*Cindy Xiaofan Wang (王肖璠)* has served as our chief financial officer since November 2013 and executive vice president since May 2016. Prior to that, she was our Vice President since January 2008. Ms. Wang joined us in December 2001 and has held a number of managerial positions at our Company. Ms. Wang won the Best CFO Award by Institutional Investor in the 2017 All-Asia Executive Team Rankings in 2017, and China Best CFO Leadership Award by SNAI/ACCA/Korn Ferry in 2021. Previously, Ms. Wang worked with PricewaterhouseCoopers Zhong Tian CPAs Limited Company from 1997 to 1999. Ms. Wang has been a director of MakeMyTrip Limited (Nasdaq: MMYT) since August 2019. She also served on the board of directors of Huazhu Group Limited (Nasdaq: HTHT, SEHK: 1179) from January 2018 to July 2020. Ms. Wang received a Master of Business Administration from Massachusetts Institute of Technology in 2013 and obtained her Bachelor's degree from Shanghai Jiao Tong University in 1997. Ms. Wang is a Certified Public Accountant (CPA).

## COMPENSATION

### Compensation of our directors and executive officers

For each of the three years ended December 31, 2018, 2019, and 2020, we paid and accrued an aggregate of fees, salaries and benefits (excluding equity-based grants) in cash of approximately RMB12 million, RMB13 million and RMB8 million, respectively, to our executive directors and non-executive directors as a group.

We have entered into a standard form of director agreement with each of our directors. Under these agreements, we paid cash compensation (inclusive of directors' fees) to our directors in an

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## DIRECTORS AND SENIOR MANAGEMENT

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aggregate amount of US\$1.9 million in 2019 and US\$1.2 million in 2020. Directors are reimbursed for all expenses incurred in connection with each board of directors meeting and when carrying out their duties as directors of our Company. See “—Employees’ Share incentive plans” for options granted to our directors in 2019 and 2020.

We have entered into standard forms of employment agreements with our executive officers. Under these agreements, we paid cash compensation to our executive officers in an aggregate amount of US\$0.5 million in 2019 and US\$0.5 million in 2020, excluding compensation paid to Min Fan, James Jianzhang Liang and Jane Jie Sun, who also serve and receive compensation as our executive directors. These agreements provide for terms of service, salary and additional cash compensation arrangements, all of which have been reflected in the 2019 and 2020 aggregate compensation amount. See “—Employees’ Share Incentive Plans” for options granted to our executive officers in 2019 and 2020.

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

### Employees’ Share Incentive Plans

Our board of directors has made share-based awards under five share incentive plans, namely, the Global Share Incentive Plan, as amended and restated in July 2018 and further amended and restated in December 2019 (the “**Second A&R Global Plan**”), the 2007 Share Incentive Plan (the “**2007 Plan**”), the 2005 Employee’s Stock Option Plan (the “**2005 Plan**”), the 2003 Employee’s Option Plan (the “**2003 Plan**”), and the 2000 Employee’s Stock Option Plan (the “**2000 Plan**”). The terms of the 2005 Plan, the 2003 Plan and the 2000 Plan are substantially similar. The purpose of the plans is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, officers and directors and to promote the success of our business. Our board of directors believes that our Company’s long-term success is dependent upon our ability to attract and retain superior individuals who, by virtue of their ability and qualifications, make important contributions to our business.

The 2007 Plan, the 2005 Plan, the 2003 Plan and the 2000 Plan have all expired and no new awards may be granted under these share incentive plans. Under the Second A&R Global Plan, the maximum aggregate number of ordinary shares that may be issued pursuant to awards was 100,877,248, after accounting for the Share Subdivision, as of the first business day of 2021, with annual increases on January 1 of each subsequent calendar year by the number of ordinary shares representing 3% of our then total issued and outstanding share capital as of December 31 of the preceding year until the termination of the plan. Under the 2007 Plan, options to purchase 16,753,848 shares were issued and outstanding as at February 28, 2021, after accounting for the Share Subdivision. Under the Second A&R Global Plan, options to purchase 39,556,768 shares and 860,440 restricted share units were issued and outstanding as of February 28, 2021, after accounting for the Share Subdivision.

In June 2017, our board of directors approved our Global Share Incentive Plan.

In July 2018, our compensation committee and board of directors amended and restated the Global Share Incentive Plan and approved the Amended and Restated Global Share Incentive Plan to increase the number of shares that may be issued thereunder.



## DIRECTORS AND SENIOR MANAGEMENT

In December 2019, we completed a one-time modification of share options, pursuant to which eligible employees were able to exchange every four of the share options that were granted under the 2007 Share Incentive Plan and the Amended and Restated Global Incentive Plan with exercise price exceeding US\$40 (after the Share Subdivision) per ordinary share for one new option entitling each eligible grantee to purchase one ordinary share at the exercise price of US\$0.00125 (after the Share Subdivision) with the original vesting schedules remaining unchanged. As a result of the modification, prior options to purchase 6,686,792 (after the Share Subdivision) ordinary shares were exchanged for new options to purchase 1,672,208 (after the Share Subdivision) ordinary shares.

In December 2019, our board of directors approved our Second A&R Global Plan.

In November 2020, as approved by our compensation committee, we extended the exercise period of certain options that were granted under our 2007 Plan to our Directors and executive officers that would originally expire for additional five years from their respective original expiration dates.

The following table summarizes, as of February 28, 2021, the outstanding options and the outstanding restricted share units granted under our 2007 Plan and the Second A&R Global Plan to the individual executive officers and directors named below. The table gives effect to the modifications described above and accounts for the Share Subdivision.

Name	Ordinary Shares Underlying Options / Restricted Share Units Granted	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
James Jianzhang Liang	21,521,600	20.245; 22.455; 29.625; 30.93; 40.62; 43.84; 26.13; 31.68; 25.92	From January 9, 2014 to June 30, 2020	From April 2, 2023 to June 30, 2028
Jane Jie Sun	12,000 <sup>(1)</sup> 8,921,600	— 9.82; 20.245; 22.455; 29.625; 30.93; 40.62; 43.84; 26.13; 31.68; 25.92	February 9, 2018 From January 27, 2013 to June 30, 2020	— From April 2, 2023 to June 30, 2028
Min Fan	12,000 <sup>(1)</sup> 1,054,936	— 9.82; 20.245; 22.455; 29.625; 30.93; 40.62; 43.84; 0.00125; 31.68	February 9, 2018 From January 27, 2013 to December 4, 2019	— From April 2, 2023 to December 6, 2027
Cindy Xiaofan Wang	12,000 <sup>(1)</sup> *	— 20.245; 22.455; 29.625; 30.93; 26.13; 0.00125; 31.68	February 9, 2018 From January 9, 2014 to June 30, 2020	— From April 2, 2023 to June 30, 2028
Neil Nanpeng Shen	*	9.82; 22.455; 29.625; 30.93; 40.62; 43.84; 26.13; 31.68	From January 27, 2013 to December 4, 2019	From April 2, 2023 to December 6, 2027
Qi Ji	*	22.455; 29.625; 30.93; 40.62; 43.84; 26.13; 31.68	From December 6, 2014 to December 4, 2019	From April 2, 2023 to December 6, 2027
Gabriel Li	*	9.82; 22.455; 29.625; 30.93; 40.62; 43.84; 26.13; 31.68	From January 27, 2013 to December 4, 2019	From April 2, 2023 to December 6, 2027
JP Gan	*	22.455; 29.625; 30.93; 40.62; 43.84; 26.13; 31.68	From December 6, 2014 to December 4, 2019	From April 2, 2023 to December 6, 2027

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

Note:

(1) Restricted share units.

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## DIRECTORS AND SENIOR MANAGEMENT

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### *2007 Plan*

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

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

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

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

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

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

*Vesting Schedule.* In general, the plan administrator determines, or the incentive award agreement specifies, the vesting schedules. Currently, three types of vesting schedules were adopted for the incentive awards granted under the 2007 Plan. One of the vesting schedules is that one-third of the incentive awards vest 24 months after a specified vesting commencement date, an additional one-third vest 36 months after the specified vesting commencement date and the remaining one-third vest 48 months after the specified vesting commencement date, subject to other terms under the 2007 Plan and the incentive award agreement. Another type of vesting schedule is that one-fourth of the incentive awards vest every 12 months over a four-year vesting period starting from a specified vesting commencement date, subject to other terms under the 2007 Plan and the incentive award agreement. The last type of vesting schedule is that one-tenth of the incentive awards vest 12 months after a specified vesting commencement date, an additional three-tenth vest 24 months after the specified vesting commencement date, another three-tenth vest 36 months after the specified vesting commencement date and the remaining three-tenth vest 48 months after the specified vesting commencement date, subject to other terms under the 2007 Plan and the incentive award agreement.

*Other Equity Awards.* In addition to stock options, we may also grant to our employees, directors and consultants or any of our related entities share appreciation rights, restricted share awards, restricted share unit awards, deferred share awards, dividend equivalents and share payment



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## DIRECTORS AND SENIOR MANAGEMENT

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awards, with such terms and conditions as our board of directors (or, if applicable, the compensation committee) may, subject to the terms of the plan, establish.

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

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

### ***Second A&R Global Plan***

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

*Award Agreements.* Options and stock purchase rights granted under our plan are evidenced by an award agreement, that sets forth the terms, conditions and limitations for each grant.

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

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

*Vesting Schedule.* In general, the plan administrator determines, or the incentive award agreement specifies, the vesting schedules. One of our vesting schedules is mainly that one-tenth of the incentive awards vest 12 months after a specified vesting commencement date, an additional three-tenth vest 24 months after the specified vesting commencement date, another three-tenth vest 36 months after the specified vesting commencement date and the remaining three-tenth vest 48 months after the specified vesting commencement date, subject to other terms under the Second A&R Global Plan and the incentive award agreement. Another type of vesting schedule is that one-fourth of the incentive awards vest every 12 months over a four-year vesting period starting from a specified vesting commencement date, subject to other terms under the Second A&R Global Plan and the incentive award agreement.

*Other Equity Awards.* In addition to stock options, restricted share awards and restricted share unit awards, we may also grant to our employees, directors and consultants or any of our related entities share appreciation rights, deferred share awards, dividend equivalents and share payment

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## DIRECTORS AND SENIOR MANAGEMENT

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awards, with such terms and conditions as our board of directors (or, if applicable, the compensation committee) may, subject to the terms of the plan, establish.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than by will or the laws of succession and may be exercised during the lifetime of the participant only by the participant.

*Termination or Amendment of the Plan.* Unless terminated earlier, the plan will terminate automatically in 2027. Our board of directors has the authority to amend or terminate the plan to the extent necessary to comply with applicable law, regulation or stock exchange rule. We must also generally obtain approval of our shareholders to (i) increase the number of shares available under the plan (other than any adjustment as described above), (ii) permits the committee to extend the exercise period for an option beyond ten years from the date of grant, or (iii) results in a change in eligibility requirements, unless we decide to follow home country practice pursuant to Rule 5615(a)(3) of the Nasdaq listing rules applicable to foreign private issuers.

### BOARD PRACTICES

#### Nomination and Terms of Directors

Our board of directors currently consists of nine directors. A director is not required to hold any shares in the company by way of qualification. Our board of directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. No director is entitled to any severance benefits upon termination of his directorship with us. Four out of nine of our directors meet the “independence” definition under The Nasdaq Stock Market, Inc. Marketplace Rules (the “**Nasdaq Rules**”). As Nasdaq Rules permit a foreign private issuer like us to follow the corporate governance practices of its home country, we chose to rely on home country practice in lieu of the requirement to have a majority of independent directors on our board under Nasdaq Rules.

#### Committees of the Board of Directors

##### *Audit Committee*

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

Our audit committee consists of Messrs. Gan, Li and Shen. All of these directors meet the audit committee independence standard under Rule 10A-3 under the Exchange Act. The independence definition under Rules 5605 of the Nasdaq Rules is met by Messrs. Gan, Li and Shen. In addition, all the members of our audit committee qualify as “audit committee financial experts” as defined in the relevant Nasdaq Rules.

##### *Compensation Committee*

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

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## DIRECTORS AND SENIOR MANAGEMENT

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Our compensation committee consists of Messrs. Gan, Ji and Shen, all of whom meet the “independence” definition under the Nasdaq Rules.

### **Duties of Directors**

Under Cayman Islands law, our directors have a duty of loyalty to act honestly and in good faith in the best interests of our Company. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than what may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our Memorandum and Articles of Association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

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

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

## MAJOR SHAREHOLDERS

As of February 28, 2021, 601,075,512 of our Shares were issued and outstanding, after accounting for the Share Subdivision, (excluding the 26,071,360 Shares, after accounting for the Share Subdivision, that were issued to The Bank of New York Mellon, the depository of our ADS program, for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our stock incentive plans and for our treasury ADSs, and treasury shares we own). Our shareholders are entitled to vote together as a single class on all matters submitted to shareholders vote. No shareholder has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Except as otherwise noted, the following table sets forth information with respect to the beneficial ownership of our Shares as of February 28, 2021, after accounting for the Share Subdivision, by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our Shares.

Except as otherwise noted, the address of each person listed in the table is c/o Trip.com Group Limited, 968 Jin Zhong Road, Shanghai 200335, People's Republic of China.

	Shares Beneficially Owned <sup>(1)</sup>	
	Number	% <sup>(2)</sup>
<b>Directors and Senior Management:</b>		
James Jianzhang Liang <sup>(3)</sup> .....	19,040,376	3.1%
Min Fan <sup>(4)</sup> .....	10,092,112	1.7%
Jane Jie Sun <sup>(5)</sup> .....	9,326,668	1.5%
Neil Nanpeng Shen <sup>(6)</sup> .....	*	*%
Cindy Xiaofan Wang .....	*	*%
Other directors and executive officers as a group, each of whom individually owns less than 0.1% .....	*	*%
All directors and officers as a group <sup>(7)</sup> .....	41,803,176	6.7%
<b>Principal Shareholders:</b>		
Baidu Entities <sup>(8)</sup> .....	69,159,340	11.5%
Pzena Investment Management, LLC <sup>(9)</sup> .....	39,405,880	6.6%
T.ROWE PRICE ASSOCIATES, INC. <sup>(10)</sup> .....	37,360,161	6.2%
MIH Internet SEA Private Limited <sup>(11)</sup> .....	32,870,648	5.5%
Morgan Stanley <sup>(12)</sup> .....	32,554,216	5.4%

*Notes:*

\* Less than 1% of our total outstanding Shares.

- (1) Beneficial ownership is determined in accordance with the SEC rules, and includes voting or investment power with respect to the securities. Shareholding information of directors and senior management and principal shareholders are based on the latest publicly available information published as of the Latest Practicable Date, after accounting for the Share Subdivision.
- (2) For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the number of Shares outstanding as of February 28, 2021, the number of Shares underlying share options held by such person or group that were exercisable within 60 days after February 28, 2021, and the number of Shares in the form of ADSs assuming full conversion of notes held by such person or group to ADSs at the initial conversion rate.
- (3) Includes 7,846,776 Shares held by Mr. Liang and 11,193,600 Shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2021 held by Mr. Liang.
- (4) Includes 9,093,178 Shares held by Mr. Fan and 998,934 Shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2021 held by Mr. Fan.
- (5) Includes 4,117,068 Shares held by Ms. Sun and 5,209,600 Shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2021.
- (6) Mr. Shen's business address is Suite 3613, 36/F, Two Pacific Place, 88 Queensway, Hong Kong.
- (7) Includes 23,319,389 Shares and 18,483,787 Shares that were issuable upon exercise of options exercisable within 60 days after February 28, 2021 held by all of our current directors and executive officers, as a group.
- (8) Includes 69,159,340 Shares (including 7,934,820 Shares represented by ADSs) beneficially owned as of October 1, 2019 by Baidu Holdings Limited, a wholly-owned subsidiary of Baidu, Inc. (collectively, "**Baidu Entities**"). Information regarding beneficial

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## MAJOR SHAREHOLDERS

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ownership is reported as of October 1, 2019, based on the information contained in the Schedule 13D/A filed by Baidu Entities with SEC on October 2, 2019. Please see the Schedule 13D/A filed by Baidu Entities with SEC on October 2, 2019 for information relating to Baidu Entities. The address for Baidu Holdings Limited is c/o Baidu, Inc., No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, People's Republic of China, and the address for Baidu, Inc. is No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, People's Republic of China.

- (9) Includes 39,405,880 Shares represented by ADSs held by Pzena Investment Management, LLC. Information regarding beneficial ownership is reported as of December 31, 2020, based on the information contained in the Schedule 13G filed by Pzena Investment Management, LLC with SEC on February 2, 2021. Please see the Schedule 13G filed by Pzena Investment Management, LLC with SEC on February 2, 2021 for information relating to Pzena Investment Management, LLC. The address for Pzena Investment Management, LLC is 320 Park Avenue, 8th Floor, New York, NY 10022, United States.
- (10) Includes 37,360,161 Shares represented by ADS held by T.ROWE PRICE ASSOCIATES, INC. Information regarding beneficial ownership is reported as of December 31, 2020, based on the information contained in the Schedule 13G/A filed by T.ROWE PRICE ASSOCIATES, INC. with SEC on February 16, 2021. Please see the Schedule 13G/A filed by T.ROWE PRICE ASSOCIATES, INC. with SEC on February 16, 2021 for information relating to T.ROWE PRICE ASSOCIATES, INC. The address for T.ROWE PRICE ASSOCIATES, INC. is 100 E. Pratt Street, Baltimore, Maryland 21202, the United States.
- (11) Includes 32,870,648 Shares held by MIH Internet SEA Private Limited. Information regarding beneficial ownership is reported as of August 30, 2019, based on the information contained in the Schedule 13D filed by MIH Internet SEA Private Limited and Naspers Limited with the SEC on September 5, 2019. Please see the Schedule 13D filed by MIH Internet SEA Private Limited and Naspers Limited with SEC on September 5, 2019 for information relating to MIH Internet SEA Private Limited and Naspers Limited. The address for MIH Internet SEA Private Limited is #13-10 Parkview Square, 600 North Bridge Road, Singapore 188778.
- (12) Includes 32,554,216 Shares represented by ADS held by Morgan Stanley. Information regarding beneficial ownership is reported as of December 31, 2020, based on the information contained in the Schedule 13G filed by Morgan Stanley with SEC on February 12, 2021. Please see the Schedule 13G filed by Morgan Stanley with SEC on February 12, 2021 for information relating to Morgan Stanley. The address for Morgan Stanley. is 1585 Broadway New York, NY 10036, the United States.

Based on a review of the register of members maintained by our Cayman Islands registrar, we believe that as of February 28, 2021, 526,839,080 Shares, after accounting for the Share Subdivision, were held by two record shareholders in the United States, including 526,839,072 Shares, after accounting for the Share Subdivision, (including Shares that were issued for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our stock incentive plans and treasury shares that were repurchased but not retired by the Company) held of record by The Bank of New York Mellon, the depository for the ADS program. The number of beneficial owners of ADSs in the United States is likely to be much larger than the number of record holders of our Shares in the United States.

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## RELATED PARTY TRANSACTIONS

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*We are seeking a listing on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules. Pursuant to Rule 19C.11 of the Hong Kong Listing Rules, Chapter 14A of the Hong Kong Listing Rules, governing connected transactions, does not apply to us. The following discussion of related party transactions has been prepared pursuant to the requirements of Form 20-F of the SEC, and is included in this document for disclosure purposes only.*

### ARRANGEMENTS WITH CONSOLIDATED AFFILIATED CHINESE ENTITIES

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the travel agency and value-added telecommunications businesses in China. Therefore, we conduct part of our businesses through a series of agreements between our PRC subsidiaries, our consolidated affiliated Chinese entities and/or their respective shareholders. See “History and corporate structure—Contractual Arrangements” for a summary of the contractual arrangements we have entered into with each of Ctrip Commerce, Chengdu Ctrip and Qunar Beijing, and their respective subsidiaries and shareholders.

### SHARE INCENTIVE GRANTS

See “Directors and Senior Management—Compensation—Employees’ Share Incentive Plans” for a description of share-based compensation we have provided to our directors, officers and other individuals as a group.

### EMPLOYMENT AGREEMENTS

See “Directors and Senior Management—Compensation—Compensation of our directors and executive officers” for a description of the employment agreements we have entered into with our senior executive officers.

### COMMISSIONS FROM HOMEINNS AND BTG

In December 2016, in connection with our share exchange transaction with BTG Hotels (Group) Co., Ltd. (“**BTG**”) and Homeinns Hotel Group (“**Homeinns**”), we exchanged our previously held equity interest in Homeinns for 22% equity interest of BTG. BTG had entered into agreements with us to provide hotel rooms for our users. Total commissions from BTG amounted to RMB91 million for the year ended December 31, 2019 and RMB49 million for the year ended December 31, 2020. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers.

### COMMISSIONS FROM HUAZHU AND ITS AFFILIATES

One of our hotel partners, Huazhu Group Limited (“**Huazhu**”), has a director in common with our company and a director who is a family member of one of our officers. Huazhu has entered into agreements with us to provide hotel rooms for our customers. Total commissions Huazhu paid us amounted to RMB72 million for the year ended December 31, 2019 and RMB78 million for the year ended December 31, 2020. These commissions were paid to us in our ordinary course of business on terms substantially similar to those for our unrelated hotel suppliers.

### COMMISSIONS TO/FROM TONGCHENG-ELONG

In 2018, eLong, Inc. completed a merger with Tongcheng Network Technology Co., Ltd. (“**LY.com**”) and the enlarged group Tongcheng-Elong Holdings Limited (“**Tongcheng-eLong**”)



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## RELATED PARTY TRANSACTIONS

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supersedes eLong, Inc. and LY.com to promote hotel rooms supplied by us on their platforms. In exchange for our prior holdings in eLong, we received an equity method investment in the enlarged group. Tongcheng-eLong provides hotel rooms for our users, from which we earn commissions. Tongcheng-eLong also promotes hotel rooms supplied by us on their platforms, for which we pay commissions. Total commissions to Tongcheng-eLong paid by us amounted to RMB579 million and Tongcheng-eLong paid commissions to us amounting to RMB217 million for the year December 31, 2019. Total commissions to Tongcheng-eLong paid by us amounted to RMB324 million and Tongcheng-eLong paid commissions to us amounting to RMB151 million for the year December 31, 2020.

### SETTLEMENT WITH SKYSEA

In 2019, Skysea Holding International Ltd. (“**Skysea**”), a company in which we owned 35% equity interest and to which we provided a shareholder loan in a principal amount of US\$80 million, completed its winding down of the business and we entered into the final settlement with Skysea. According to the final settlement, we collected the amount due from Skysea and settled the provision and contingent liability of RMB603 million (recognized as other income), which includes RMB236 million previously made for loan receivable and RMB367 million previously made for contingent payables.

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## REGULATIONS

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This section sets forth a summary of the most significant laws and regulations that affect our business activities in China.

### REGULATIONS RELATED TO FOREIGN INVESTMENT IN THE PRC

#### *Foreign Investment Industrial Policy*

Investments activities in China by foreign investors are principally governed by the Catalog for the Encouragement of Foreign Investment Industries (2020 Edition) (《鼓勵外商投資產業目錄 (2020年版)》) (the “**Catalog**”) and the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the “**Negative List**”), which were both promulgated by the MOFCOM and the NDRC and each became effective on January 27, 2021, and July 23, 2020. The Catalog and the Negative List set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in the Catalog and the Negative List are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

According to the Negative List, the foreign equity interests ownership of entities that engage in value-added telecommunications business (except for e-commerce, domestic multi-party communication, storage and forwarding and call center) must not exceed 50%, and foreign investors are allowed to hold up to 100% of equity interests in an online data processing and transaction processing business (e-commerce business operation) in China.

#### *Foreign Investment Law and its Implementation Measures*

On March 15, 2019, the National People’s Congress enacted the Foreign Investment Law (《中華人民共和國外商投資法》) (the “**FIL**”), which came into effect on January 1, 2020. The FIL has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law of China (《中華人民共和國中外合資經營企業法》), the Sino-foreign Co-operative Enterprises Law of China (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of China (《中華人民共和國外資企業法》). According to the FIL, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of China (《中華人民共和國外商投資法實施條例》) (the “**FIL Implementation Rules**”) which came into effect on January 1, 2020. According to the FIL Implementation Rules, in the event of any discrepancy between the FIL, the FIL Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the FIL and the FIL Implementation Rules shall prevail. The FIL Implementation Rules also set forth that foreign investors that invest in sectors on the Negative List in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List. Pursuant to the FIL and the FIL Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the FIL are allowed to keep their corporate organization forms for five years from the effectiveness of the FIL before such existing foreign-invested enterprises change their organization forms and organization structures in accordance with the

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PRC Company Law (《中華人民共和國公司法》), the Partnership Enterprise Law of China (《中華人民共和國合夥企業法》) and other applicable laws.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020, and has replaced the Interim Measures for the Administration of Record-filing on the Establishment and Changes in Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

### REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

In 2000, the State Council promulgated the Telecommunications Regulations of China (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), most recently amended in February 2016, which provide the regulatory framework for telecommunications service providers in China and require a telecommunications service provider to obtain an operating license prior to commencing its operations. The Telecommunications Regulations categorize all telecommunications services as either basic telecommunications services (基礎電信業務) or value-added telecommunications services (增值電信業務). Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. Pursuant to the Catalog of Telecommunications Services (《電信業務分類目錄》), an attachment to the Telecommunications Regulations, which was most recently amended on June 6, 2019, information services provided via public telecommunication network or the internet and the online data processing and transaction processing services provided via public telecommunication network or the Internet by utilizing various kinds of data and transaction processing application platforms that are connected to public telecommunication network or the Internet fall within value-added telecommunications services. Furthermore, commercial e-commerce business is classified as online data processing and transaction processing services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was promulgated by the State Council on September 25, 2000, and amended on January 8, 2011, set out guidelines on the provision of internet information services. According to the Administrative Measures on Internet Information Services, the internet information services is classified into commercial internet information services and non-commercial internet information services; an operator of commercial internet information services must obtain a value-added telecommunications operating license (增值電信業務經營許可證) for the provision of internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Operating Licenses (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on July 3, 2017, and became effective on September 1, 2017, further regulates the telecommunications operating licenses.

### REGULATIONS RELATED TO TRAVEL AGENCY

On April 25, 2013, the Standing Committee of the National People’s Congress issued the PRC Tourism Law (《中華人民共和國旅遊法》), which took effect on October 1, 2013 and was amended in 2016 and 2018. The PRC Tourism Law aims to protect tourists and tour operators’ legal rights, regulate travel market and promote the development of travel industry, and sets forth specific requirements for the operation of travel agencies. Travel agencies are prohibited from (i) leasing, lending or illegally transferring travel agency operation licenses or otherwise disseminating untrue or inaccurate information when soliciting customers and organizing tours, (ii) conducting any false publicity to mislead customers, (iii) arranging visits to or participation in any project or activity in violation of PRC laws and regulations or social morality, (iv) organizing tours at unreasonably low

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price to induce or cheat tourists, or obtaining unlawful profits such as kickbacks, and (v) changing or ceasing scheduled itineraries without reasons and forcing the tourists to participate in other activities against the will of tourists. In addition, travel agencies must enter into contracts with customers for travel services; and before a tour starts, a customer may assign his personal rights and obligations in a packaged-tour contract to any third person, whom the travel agency cannot refuse without cause, as long as any fee increase will be borne by the customer and the relevant third person. Accordingly, travel agencies may be subject to civil liabilities for failing to fulfill the obligations discussed above, which include rectification, confiscation of any illegal income, imposition of a fine, an order to cease business operation, or revocation of its travel agency permit.

The travel industry is subject to the supervision of the PRC Ministry of Culture and Tourism and local tourism administrations. The principal regulations governing travel agencies in China include the Travel Agency Regulations (《旅行社條例》), issued by the State Council in February 2009, which became effective on May 1, 2009 and most recently amended on November 29, 2020, and the Implementing Rules of Travel Agency Regulations (《旅行社條例實施細則》) promulgated by the PRC National Tourism Administration in April 2009, which became effective as of May 3, 2009 and most recently amended on December 12, 2016. Under these regulations, a travel agency must obtain a license from the national tourism administration or the provincial-level tourism administration it authorizes to conduct outbound travel business, and a license from the provincial-level tourism administration or the municipal tourism administration it authorizes to conduct domestic and inbound travel agency business.

The Travel Agency Regulations permit foreign investors to establish foreign invested travel agencies. Foreign-owned travel agencies are allowed to open branches nationwide, but are restricted from engaging in outbound tourism business in China, unless otherwise determined by the State Council, or provided under a bilateral free trade agreement between the country and China, or the closer economic partnership agreements between China, Hong Kong and Macau. In December 2009, the State Council promulgated the Opinion on Accelerating Development of Travel Industry (關於加快發展旅遊業的意見), which gradually allows foreign invested travel agencies to operate business of arranging PRC residents traveling to overseas destinations on a trial basis. On August 29, 2010, the PRC National Tourism Administration and MOFCOM further promulgated the Interim Measures for Supervising Pilot Operation of Overseas Travel Business by Sino-Foreign Joint Venture Travel Agencies (《中外合資經營旅行社試點經營出境旅遊業務監管暫行辦法》), according to which the PRC National Tourism Administration may choose and approve certain qualified Sino-foreign joint venture travel agencies to operate business of arranging PRC residents traveling to overseas destinations, Hong Kong and Macau (excluding Taiwan), on a trial basis. Based on the Plan to Strengthen the Reform and Open-up Policy in China (Shanghai) Pilot Free Trade Zone (全面深化中國(上海)自由貿易試驗區改革開放方案) promulgated by the State Council in March 2017, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區) has implemented a pilot project that allows the wholly foreign-owned travel agencies registered in China (Shanghai) Pilot Free Trade Zone that satisfied with required conditions to operate outbound tourism business. In January 2019, the PRC State Council promulgated the Approval to the Work Plan on Fully Promoting the Comprehensive Pilot Program for Expanding the Opening-Up of the Service Industry of Beijing Municipality (國務院關於全面推進北京市服務業擴大開放綜合試點工作方案的批復), which allows wholly foreign-owned travel agencies to provide outbound travel services (except for Taiwan) for PRC citizens on a trial basis.

On August 20, 2020, the Ministry of Culture and Tourism promulgated a Tentative Administrative Measure on Online Travel Operation (《在線旅遊經營服務管理暫行規定》), which intends to standardize the online travel operation business. The online travel operation services means provision of travel services to the travelers via the information network such as Internet and such services include package tour, transportation, accommodation, dining, sightseeing, entertainment and

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so on. The operator of online travel business shall provide real and accurate travel services information without false promotion and advertisement. The operator of online travel platform shall verify the identification, license, quality standard and credit rating of all travel business operator registered on the platform. The online travel business operator shall protect the personal data privacy of travelers and shall not set unfair trading conditions based on consumption record and preference by abusing data analyzing technology. The platform operator shall examine the license and qualification of travel business operator inside the platform and alert the travelers for safety warning, and shall take the liability if it fails to perform relevant obligations requested by such administrative measures.

### REGULATIONS RELATED TO AIR-TICKETING

The air-ticketing business is subject to the supervision of the China Air Transportation Association and its branches. In April 2015, the China Air Transport Association issued the Air Transportation Sales Agent Qualification Accreditation Measures (《航空運輸銷售代理資質認可辦法》) pursuant to which an air-ticketing agency must obtain a permit from air transportation sales agency branch, an affiliate of the China Air Transport Association in which the agency proposes to conduct the air-ticketing business. There are two types of air-ticketing permits in China, permits for selling tickets for international flights and flights to Hong Kong, Macau and Taiwan, and permits for selling tickets for domestic flights in China.

In February 2019, the Air Transportation Sales Agent Qualification Accreditation Measures were abolished and air transportation sales agencies can operate air-ticketing business without permits as was previously required. Alternatively, the Self-Discipline Measures for Air Transportation Sales Agency Industry (《航空客貨運輸銷售代理行業自律辦法》) was promulgated by the China Air Transport Association, which encourages self-discipline administration for air transportation sale agency industry. The China Air Transport Association has further promulgated the Business Standards of Air Passenger Transportation Sales Agencies (《航空運輸客運銷售代理人業務規範》) and the Business Standards of Air Freight Transportation Sales Agencies (《航空運輸貨運銷售代理人業務規範》), which introduce general business standards applied by airlines for selecting and authorizing their air-ticketing sales agents. For example, basic requirements for passenger air transportation sales agencies are, including but not limited to, (i) having proper business license, (ii) having telecommunication and information services business license if conducting online air-ticketing sales, (iii) having suitable capital contributed for business operation, (iv) having capital guarantee or pledge in favor of airlines, (v) agencies and their principals not having poor credit records, and (vi) having sufficient, properly trained employees.

In August 2017, the Civil Aviation Administration of China issued the Notice on Regulating Online Air-ticketing (《關於規範互聯網機票銷售行為的通知》), pursuant to which online air-ticketing platform shall not conduct bundle sales of any other services and products by default along with selling air tickets. The online air-ticketing platform shall display ancillary air-ticket-related services and products (e.g. VIP lounge coupon and insurance) in an explicit and accurate manner and shall offer such services and products to customers as an option in addition to their air ticket purchases.

### REGULATIONS RELATED TO E-COMMERCE

The SAIC adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services (《網絡商品交易及有關服務行為管理暫行辦法》) on May 31, 2010, and replaced by the Administrative Measures for Online Trading (《網絡交易管理辦法》) on January 26, 2014, which became effective on March 15, 2014. These measures impose more stringent requirements and obligations on online trading or service operators as well as third-party trading platforms. For example, marketplace platform providers are obligated to examine the legal status of each third-party merchant selling products or services on their platforms and display on a prominent location on a



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merchant's web page the information stated in the merchant's business license or a link to its business license. On December 24, 2014, the MOFCOM promulgated the Provisions on the Procedures for Formulating Transaction Rules of Third-Party Online Retail Platforms (Trial) (《網絡零售第三方平台交易規則制定程序規定(試行)》) to regulate the formulation, revision and enforcement of transaction rules for online retail marketplace platforms.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the E-Commerce Law (《電子商務法》), which came into effect on January 1, 2019. The E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online. According to the E-commerce Law, e-commerce operators who provide search results based on consumers' characteristics, such as hobbies and consumption habits, shall also provide consumers with options that are not targeted at their personal characteristics at the same time, respect and fairly protect the legitimate interests of the consumers. In addition, e-commerce platform operators are not allowed to impose unreasonable restrictions over or add unjustified conditions to transactions concluded on their platforms by merchants, or charge merchants operating on its platform any unreasonable fees.

### REGULATIONS RELATED TO CONSUMER PROTECTION

The Consumer Protection Law (《消費者權益保護法》), which was promulgated by the Standing Committee of the National People's Congress on October 31, 1993, and last amended on October 25, 2013, effective as of March 15, 2014, sets out the obligations of business operators and the rights and interests of consumers. Business operators must guarantee the quality, function, usage and term of validity of the goods or services they sell or provide, if these goods and services are consumed under normal standards. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online platforms may claim damages from the sellers or service providers. Online platform operators may be subject to liabilities if the lawful rights and interests of consumers are infringed in connection with consumers' purchase of goods or acceptance of services on online platforms if the platform operators fail to provide consumers with authentic contact information of the sellers or service providers.

### REGULATIONS RELATED TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Internet content in China is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security (《關於維護互聯網安全的決定》), enacted by the Standing Committee of the National People's Congress on December 28, 2000, and amended with immediate effect on August 27, 2009, makes it unlawful to, including but not limited to: (i) gain improper entry into a computer information system of national affairs, national defense or cutting-edge science and technology; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Administrative Measures for the Security Protection of International Connections to Computer Information Network (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the PRC Ministry of Public Security (the "MPS") on December 30, 1997, and amended on January 8, 2011, prohibits the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content.

On July 1, 2015, the Standing Committee of the National People's Congress issued the National Security Law (《國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, national security and cyber security and development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies,



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internet and information technology products and services and other important activities that are likely to impact the national security of China.

On June 28, 2016, the Cyberspace Administration of China promulgated the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which became effective on August 1, 2016, providing that mobile Internet application providers are prohibited from engaging in any activity that may endanger national security, disturb social order or infringe the legal rights of third parties, and may not produce, copy, release or disseminate through mobile internet applications any content prohibited by laws and regulations.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law (《網絡安全法》), which came into effect on June 1, 2017. The Cyber Security Law provides that network operators must set up a classified protection system for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

PRC government authorities have enacted legislations on internet use to protect personal information from any unauthorized disclosure and prohibits an internet content provision operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party. The Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT on December 29, 2011, and became effective on March 15, 2012, stipulate that internet information provider may not, without user's consent, collect user's personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without user's prior consent, unless when required by laws or regulations. In addition, an internet information service providers shall expressly inform the users of the methods, content and usage of the collection and process of their personal information and shall not collect any information not necessary for or beyond the purpose of the services they provide. Internet information provider are also required to ensure the proper security of user's personal information, and take immediate remedial measures if user's personal information has been or may be divulged.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》). Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

On January 23, 2019, the Cyberspace Administration of China, the MIIT and the MPS, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct

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security certifications and encourages search engines and app stores to clearly mark and recommend those certified apps. On November 28, 2019, the Cyberspace Administration, MIIT, the MPS and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including “failure to publish rules on the collection and usage of personal information,” “failure to expressly state the purpose, manner and scope of the collection and usage of personal information,” “collecting and using personal information without obtaining consents from users,” “collecting personal information irrelevant to the services provided,” “providing personal information to other parties without obtaining consent” and “failure to provide the function of deleting or correcting personal information as required by law or failure to publish the methods for complaints and reports or other information.”

On August 29, 2015, the Standing Committee of the National People’s Congress issued the Ninth Amendment to the Criminal Law (《刑法修正案(九)》), effective on November 1, 2015. Any internet service provider that fails to comply with obligations related to internet information security administration as required by applicable laws and refuses to rectify upon order shall be subject to criminal penalty for (i) any large-scale dissemination of illegal information; (ii) any severe consequences due to the leakage of the user information; (iii) any serious loss of criminal evidence; or (iv) other severe circumstances. Furthermore, any individual or entity that (i) sells or provides personal information in a manner which violates relevant regulations, or (ii) steals or otherwise illegally obtains any personal information is subject to criminal penalty in severe circumstances.

### REGULATIONS RELATED TO ADVERTISING BUSINESS

The Advertisement Law of China (《中華人民共和國廣告法》), which was promulgated by the Standing Committee of the National People’s Congress on October 27, 1994, and last amended on October 26, 2018, requires advertisers to ensure that the content of the advertisements are true. The content of advertisements shall not contain prohibited information, including but not limited to: (i) information that harms the dignity or interests of the State or divulges the secrets of the State, (ii) information that contains wordings such as “national level,” “highest level” and “best” and (iii) information that contains ethnic, racial, religious or sexual discrimination. Advertisements posted or published through the internet shall not affect normal usage of network by users. Advertisements published in the form of pop-up window on the internet shall display the close button clearly to make sure that the viewers can close the advertisement by one click.

The Internet Advertisement Interim Measures (《互聯網廣告管理暫行辦法》), which were promulgated by the SAIC on July 4, 2016, and became effective on September 1, 2016, regulate any advertisement published on the Internet, including but not limited to, those on websites, webpage and apps, those in the forms of word, picture, audio, video and others. According to the Internet Advertisement Measures, Internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even if the Internet information service provider merely provides information services and has not involved in the internet advertisement businesses.

### REGULATION RELATED TO INSURANCE BUSINESS

In June 2007, the China Insurance Regulatory Commission, which has been merged into the China Banking and Insurance Regulatory Commission, promulgated the Administrative Measures for Insurance Licenses (《保險許可證管理辦法》), which was amended in February 2020, pursuant to which all insurance agencies must obtain an insurance license from the China Banking and Insurance Regulatory Commission.

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In November 2020, the China Banking and Insurance Regulatory Commission promulgated the Provisions on the Supervision and Administration of Insurance Agencies (《保險代理人監管規定》), which took effect on January 1, 2021 and replaced the Provisions for the Supervision and Administration of Professional Insurance Agencies (《保險專業代理機構監管規定》) issued in September 2009, pursuant to which an “insurance agency” refers to an agent that is instructed by and receives commissions from insurance companies to handle insurance services to the extent authorized by the insurance companies, including professional insurance agencies, sideline insurance agencies, and individual insurance agents. Professional insurance agencies and the sideline insurance agencies who are legal persons must obtain license relating to insurance agency operations from the China Banking and Insurance Regulatory Commission.

In December 2020, the China Banking and Insurance Regulatory Commission issued the Measures on the Supervision and Administration of Internet Insurance Business (《互聯網保險業務監管辦法》), which took effect on February 1, 2021 and replaced the Interim Measures on the Supervision and Administration of Internet Insurance Business (《互聯網保險業務監管暫行辦法》) issued in July 2015, pursuant to which internet insurance businesses shall be carried out by insurance institutions legally established, including insurance companies and insurance intermediaries, and the insurance institutions are required to run a self-operated online platform that satisfy certain conditions.

### REGULATIONS RELATED TO INTELLECTUAL PROPERTY RIGHTS

#### *Trademark*

Trademarks are protected by the Trademark Law of China (《中華人民共和國商標法》) which was promulgated by the Standing Committee of the National People’s Congress on August 23, 1982, last amended on April 23, 2019, and took effect on November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》), adopted by the State Council on August 3, 2002, and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of China National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks commencing from the date of registration and the registered trademarks can be renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

#### *Patent*

According to the Patent Law of China (《中華人民共和國專利法》) (the “**Patent Law**”), promulgated by the Standing Committee of the National People’s Congress on March 12, 1984, last amended on October 17, 2020 and will be effective on June 1, 2021, and the Implementing Rules of the Patent Law of China (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, last amended on January 9, 2010, and effective from February 1, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. Under the currently effective Patent Law, the protection period of a patent right for invention patents shall be 20 years and the protection period of a patent right for utility model patents and design patents shall be 10 years, both commencing from the filing date. According to the Patent Law, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. Pursuant to the Measures for the Filing of Patent Licensing Contracts (《專利實施許可合同備案辦法》), promulgated by the State Intellectual Property Office on June 27, 2011, and effective as of August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

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### *Copyright*

The Copyright Law of China (《中華人民共和國著作權法》) (the “**Copyright Law**”), which was promulgated by the Standing Committee of the National People’s Congress on September 7, 1990, last amended on November 11, 2020, and will take effect on June 1, 2021. Under the currently effective Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of socialist cultural and scientific undertakings.

The Computer Software Copyright Registration Measures (《計算機軟體著作權登記辦法》) (the “**Software Copyright Measures**”), promulgated by the National Copyright Administration of China on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts and transfer contracts for software copyright. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (中國版權保護中心) is designated as the software registration authority. The Copyright Protection Center of China shall grant registration certificates to the Computer Software Copyrights applicants if the applications conform to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (《計算機軟體保護條例》).

### *Domain Names*

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017, and became effective on November 1, 2017, regulates the “.CN” and the “zhongguo (in Chinese character)” shall be China’s national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, and shall not use its domain name to commit any illegal act.

## REGULATIONS RELATED TO ANTI-UNFAIR COMPETITION

According to the Anti-Unfair Competition Law of China (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”), which was adopted by the Standing Committee of the National People’s Congress on September 2, 1993, became effective as of December 1, 1993, and last amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

## REGULATIONS RELATED TO LABOR AND SOCIAL SECURITY

According to the Labor Law of China (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People’s Congress on July 5, 1994, came into effect on January 1, 1995, and was last amended on December 29, 2018, the Labor Contract Law of China (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the National People’s Congress on June 29, 2007, came into effect on January 1, 2008, and was amended on



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December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law of China (《中華人民共和國勞動合同法實施條例》), which was promulgated and came into effect on September 18, 2008, by the State Council, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of China (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010, came into effect on July 1, 2011, and was amended on December 29, 2018, the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999, and amended on March 24, 2019, and the Regulations on the Administration of Housing Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, came into effective on the same date and was last amended on March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and housing funds. Any employer who fails to contribute may be fined and ordered to make up for the deficit within a stipulated time limit.

### REGULATIONS RELATED TO TAXATION

#### *EIT*

According to the Enterprise Income Tax Law of China (the “**EIT Law**”), which was promulgated on March 16, 2007, came into effect on January 1, 2008, and last amended on December 29, 2018, and the Implementation Regulations on the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008, amended by the State Council on April 23, 2019, and came into effect on the same date, a uniform income tax rate of 25% will be applied to resident enterprises and non-resident enterprises that have “establishment or place” situated in China. Besides enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose “de facto management bodies” are within the PRC are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to or any other gains realized on the transfer of shares by non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not substantially connected with the establishment or place of business, to the extent such dividends or other gains are derived from sources within the PRC.

According to the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) entered into between Mainland China and Hong Kong on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which directly owns 25% or more of the equity interest of the PRC foreign-invested enterprise which pays the dividends and interests, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for

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interest payments if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and other applicable laws. However, according to the Notice on the Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》), which was promulgated by the STA on February 20, 2009, and came into effect on the same date, if the relevant PRC tax authorities determine, in their discretion, that a company benefits unjustifiably from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the Certain Issues with Respect to the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), issued by the STA on February 3, 2018, and effective on April 1, 2018, if an applicant’s business activities do not constitute substantive business activities, it could result in the negative determination of the applicant’s status as a “beneficial owner,” and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and Hong Kong.

### *VAT*

The Provisional Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated on December 18, 2008, and amended on October 28, 2011, came into effect on November 1, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement labor services, sales of services, intangible assets and real property and importing goods in China shall pay a value-added tax.

The State Council approved, and the STA and the Ministry of Finance officially launched a pilot value-added tax reform program starting from January 1, 2012 (the “**VAT Pilot Program**”), applicable to businesses in selected industries. Businesses in the VAT Pilot Program would pay value-added tax instead of business tax. The VAT Pilot Program was initiated in Shanghai, then further applied to 10 additional regions such as Beijing and Guangdong province. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of China on Business Tax and Amending the Provisional Regulations of China on Value-added Tax (《關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), according to which, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement labor services, sales of services, intangible assets, real property and the importation of goods within the territory of China are the taxpayers of value-added tax. The value-added tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the value-added tax rate applicable to the small-scale taxpayers is 3%. According to the Notice of the Ministry of Finance and the STA on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), issued on April 4, 2018, and became effective on May 1, 2018, the value-add tax rates of 17% and 11% applicable to the taxpayers who have value-added tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the Ministry of Finance, the STA and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》), issued on March 20, 2019, and became effective on April 1, 2019, such value added tax rate was reduced to 13% and 9%, respectively.

### **REGULATIONS RELATED TO FOREIGN EXCHANGE CONTROL**

The principal regulations governing foreign currency exchange in China are the Regulation on the Foreign Exchange Control of PRC (《中華人民共和國外匯管理條例》), promulgated by the State



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## REGULATIONS

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Council on January 29, 1996, came into effect on April 1, 1996, and last amended on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), promulgated by the People's Bank of China in June 1996 and came into effect on July 1, 1996, according to which, Renminbi for current account items is freely convertible, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans and investments in securities outside of China, unless the prior approval or record-filing of SAFE or its local counterpart is obtained.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular 13”) which was promulgated by SAFE on February 13, 2015, came effective on June 1, 2015, and amended on December 30, 2019, banks are required to review and carry out foreign exchange registration under foreign direct investment. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of foreign direct investment via the banks. The Circular on the Reforming of Administrative Methods Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Companies (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “SAFE Circular 19”), promulgated on March 30, 2015, came into effective on June 1, 2015, and last amended on December 30, 2019, allows foreign-invested enterprises whose main business is investment to make equity investments by using RMB fund converted from foreign exchange capital. Under the SAFE Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of willingness-based foreign exchange settlement of capital for foreign-invested enterprises is temporarily set at 100%. The SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, SAFE Circular 19 and the Circular on Reforming and Regulating the Administrative Policy of the Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), promulgated on June 9, 2016, continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investing and financing directly or indirectly in securities and other investments except for bank's principal-secured products, providing loans to non-affiliated enterprises except as permitted by its business scope, or constructing or purchasing real estate not for self-use.

On October 23, 2019, the SAFE released the Circular on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), according to which besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds in foreign currency provided that such investments do not violate the Negative List (2020) and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their income under capital accounts, such as capital funds, foreign debts and the proceeds from overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall conduct post spot checking in accordance with the relevant requirements.

According to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies

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(《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which was promulgated by SAFE in February 2012, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) through the Chinese affiliate of the overseas publicly listed company to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan.

The Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by the SAFE on July 4, 2014, and came into effective on the same date, which replaced the Circular of the SAFE on Foreign Exchange Administration for Financing and Round-Trip Investments by Domestic Residents via Overseas Special Purchase Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by the SAFE on October 21, 2005 and came into effective on November 1, 2005, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes its assets or equity interest in domestic enterprises or offshore assets or interests into a special purpose vehicle for the purpose of investment and financing; and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner.

### REGULATIONS RELATED TO DIVIDEND DISTRIBUTIONS

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in China include the Company Law of China last amended in 2018 and the FIL. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as statutory reserve funds (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves funds reaches 50% of its registered capital, and shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

### REGULATIONS RELATED TO M&A AND OVERSEAS LISTINGS

The M&A Rules was jointly promulgated by six PRC governmental authorities including the MOFCOM, the STA, the SAFE, the SAIC, the State-owned Assets Supervision and Administration Commission of the State Council and the CSRC on August 8, 2006, and amended on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing of the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase and operate the assets of a domestic company; or when the foreign investors purchase the assets of a domestic company by agreement, establish a foreign-

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invested enterprise by injecting such assets, and operate the assets. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

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## SHARE CAPITAL

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### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the Global Offering, assuming that (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised and no Shares are issued under the Share Incentive Plans, and (iii) no Shares/ADSs are issued or repurchased by us.

	<u>Number</u>	<u>Aggregate nominal value</u>
Authorized share capital . . . . .	1,400,000,000	US\$1,750,000
Shares issued, fully paid or credited to be fully paid as of February 28, 2021 <sup>(1)(2)</sup> . . . . .	601,075,512	US\$751,344
Shares to be issued under the Global Offering <sup>(1)</sup> . . . . .	31,635,600	US\$39,545
Shares in issue immediately following the Global Offering <sup>(1)</sup> . . . . .	632,711,112	US\$790,889

*Notes:*

- (1) Based on 601,075,512 Shares as at February 28, 2021, after accounting for the Share Subdivision, and excluding the 26,071,360 Shares, after accounting for the Share Subdivision, that were issued to The Bank of New York Mellon, the depository of our ADS program, for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our stock incentive plans and for our treasury ADSs, and treasury shares we own.
- (2) After accounting for the Share Subdivision.

### Ranking

The Offer Shares rank equally with all Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

### SHARE INCENTIVE PLANS

See “Directors and Senior Management—Compensation” for details about our Share Incentive Plans.

### DEFENSE MECHANISM AGAINST HOSTILE TAKEOVERS

We have implemented a defense mechanism to impede hostile takeovers through a rights agreement. On November 23, 2007, our board of directors declared a dividend of one ordinary share purchase right (a “**Right**”), for each of our ordinary shares outstanding at the close of business on December 3, 2007, pursuant to a rights agreement. As long as the Rights are attached to the ordinary shares, we will issue one Right (subject to adjustment) with each new ordinary share so that all such ordinary shares, including shares in this Global Offering, will have attached Rights. When exercisable, each Right will entitle the registered holder, except the acquirer that triggers the exercise of Rights by crossing certain thresholds of share ownership percentage (as further explained below in this paragraph), to purchase from us US\$700 worth of ordinary shares at significantly discounted market price, subject to adjustment. As a result, the acquirer (and the shareholders who choose not to exercise the Rights) will be greatly diluted if most of other existing shareholders choose to exercise the Rights, and other existing shareholders who exercise the Rights will not be diluted, thereby effectively reducing the risk of a potential hostile takeover. We believe that this mechanism is beneficial to our Company as it encourages anyone seeking to acquire our Company to negotiate with our board of directors prior to attempting a takeover, thereby ensuring the continuity of our visionary management and strategies, minimizing potential business disruption, and enabling our board to make more informed decisions for the benefit of our shareholders. On August 7, 2014, we entered into a First Amendment and, subsequently on the same day, a Second Amendment to the Rights Agreement dated as of November 23, 2007 between The Bank of New York Mellon and us. Through these two amendments, we: (i) extended the term of our rights agreement for another ten years and the Rights will expire on August 6, 2024, subject to the right of our board of directors to extend the rights

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## SHARE CAPITAL

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agreement for another ten years prior to its expiration; (ii) modified the trigger threshold of the Rights to allow more flexibility: specifically, Rights will be triggered if an acquirer becomes the beneficial owner of 20% or more of our total outstanding shares, except that shareholders who are not entitled to file beneficial ownership statement on Schedule 13G pursuant to Rule 13d-1(b)(1) of the Exchange Act (typically filed by institutional investors with no intention to acquire control of the issuer) will trigger the Rights if they beneficially own 10% or more of our total outstanding shares, subject to other conditions; and (iii) included Booking Holdings Inc. (formerly known as The Priceline Group Inc.) (“**Booking**”) and its subsidiaries in the definition of “Exempt Person” under the then effective rights agreement as long as their beneficial ownership do not exceed 10% of our total outstanding shares. On May 29, 2015, October 26, 2015, and December 23, 2015, we entered into a Third Amendment, a Fourth Amendment, and a Fifth Amendment to the Rights Agreement with The Bank of New York Mellon, respectively, for the purposes of amending the definition of “Exempt Person”. Accordingly, in so far as Booking and any of its subsidiaries are concerned in connection with the determination of Exempt Person, the term “Exempt Person” will be applied only to the extent that the number of ordinary shares beneficially owned by such Exempt Person (excluding certain equity securities previously issued to Booking and its subsidiaries) at all times does not exceed fifteen percent (15%) of the ordinary shares then outstanding in the aggregate. In so far as Baidu and any of its subsidiaries are concerned in connection with the determination of Exempt Person, the term “Exempt Person” will be applied only to the extent that the number of ordinary shares beneficially owned by such Exempt Person at all times does not exceed twenty-seven percent (27%) of the ordinary shares then outstanding in the aggregate. On August 30, 2019 and November 13, 2019, we entered into a Sixth Amendment and a Seventh Amendment to the Rights Agreement with The Bank of New York Mellon, respectively, for purposes of amending the definition of “Exempt Person.” Accordingly, in connection with the share exchange transaction with Naspers, Naspers, MIH Internet SEA Private Limited, and their respective subsidiaries have been included in the definition of “Exempt Person” to the extent that the number of ordinary shares beneficially owned by such Exempt Person at all times does not exceed eleven percent (11%) of the ordinary shares then outstanding in the aggregate, and removed Booking and its subsidiaries from the definition of “Exempt Person.”

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## USE OF PROCEEDS

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We estimate that we will receive net proceeds of approximately HK\$10.4 billion after deducting the estimated underwriting fees and the estimated offering expenses payable by us in the Global Offering, and assuming a Hong Kong Offer Price and International Offer Price of HK\$333.00 per Offer Share and assuming the Over-allotment Option is not exercised, or HK\$11.9 billion if the Over-allotment Option is exercised in full.

The International Offer Price in the International Offering may be higher than, or the same as, the Hong Kong Offer Price in the Hong Kong Public Offering. See “Structure of the Global Offering—Pricing and Allocation”.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- Approximately 45% of net proceeds, or approximately HK\$4.7 billion, assuming the Over-allotment Option is not exercised, to fund the expansion of our one-stop travel offerings and improve user experience.
  - We plan to use part of the net proceeds to broaden the one-stop travel offerings on our platform to cater to users with different needs and their evolving preferences. We plan to provide more in-depth travel experiences, incubate products in higher frequency categories such as weekend and local trips and in-destination activities, and further expand accommodation experiences beyond room offerings. We also intend to expand our offerings in budget hotel segments and leverage our offline network to better serve the travel needs of the mass user base in China, especially in lower tier cities. See “Business—Our Strategies—Expand our one-stop travel offerings.”
  - We will continue to focus on growing our user base and retaining our existing users through upgrading our content capabilities. We will continue to introduce more diversified and creative content formats such as image-embedded reviews and short videos, encourage every user, professional traveler, and ecosystem partner to share and interact on our platform, and further improve the conversion from content to travel product offerings. We will also continue to enhance our live streaming capabilities to empower ecosystem partners and help them unlock additional user growth. See “Business—Our Strategies—Upgrade our content capabilities.”
  - We will also make additional investments to further improve our service quality by delivering personalized, convenient, enjoyable, and inspirational user experience through more support such as immediate alerts on potential health and safety risks during the trip, more flexible reservation change and refund policies, broader on-the-go emergency service, and more quality content offerings. We will continue to refine our user review framework and expand multi-language support to improve the quantity and quality of the reviews that we receive and to reduce fraudulent reviews. See “Business—Our Strategies—Further improve our service quality.”
- Approximately 45% of net proceeds, or approximately HK\$4.7 billion, assuming the Over-allotment Option is not exercised, to invest in technology to bolster our leading market position in products and services and improve our operating efficiency. See “Business—Our Strategies—Continue to invest in technology.”
  - We plan to improve the application of AI, big data analytics, virtual reality and cloud technologies to continuously deliver products, content, and services to our users, and offer more automated and intelligent user support and more convenient transaction experiences for our users.



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## USE OF PROCEEDS

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- We intend to invest resources to empower our ecosystem partners through providing enhanced technology solutions for product and services, content and marketing, and other supporting features.
- We will continue to attract and nurture software engineers, data scientists, AI experts, and other research and development talent in areas that will improve our technology infrastructure, and continuously enhance the efficiency of our business management and operation.
- Approximately 10% of net proceeds, or approximately HK\$1.0 billion, assuming the Over-allotment Option is not exercised, for general corporate purposes. We will use the remaining proceeds for general corporate purposes and working capital needs, as well as potential strategic investments and acquisitions, although we have not identified any specific investments or acquisition opportunities at this time. See “Business—Our Strategies—Enhance our global leadership.”

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such unused net proceeds in cash or short-term deposit at banks and/or authorized financial institutions.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

J.P. Morgan Securities (Asia Pacific) Limited  
China International Capital Corporation Hong Kong Securities Limited  
Goldman Sachs (Asia) L.L.C.  
The Hongkong and Shanghai Banking Corporation Limited  
CMB International Capital Limited  
ICBC International Securities Limited  
BOCI Asia Limited  
CCB International Capital Limited  
ABCI Securities Company Limited  
DBS Asia Capital Limited  
Mizuho Securities Asia Limited  
Haitong International Securities Company Limited  
Nomura International (Hong Kong) Limited

### UNDERWRITING

This document is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 2,214,500 Hong Kong Offer Shares and the International Offering of initially 29,421,100 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Offering).

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this document and the Hong Kong Underwriting Agreement at the Hong Kong Offer Price.

Subject to: (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue (including Shares on conversion of convertible notes) and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Share Incentive Plans) on the Main Board of the Hong Kong Stock Exchange and such approval not having been subsequently revoked prior to the commencement of trading of the Shares on the Hong Kong Stock Exchange; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this document and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

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## UNDERWRITING

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### *Grounds for termination*

The Joint Representatives may (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute discretion be entitled to terminate the Hong Kong Underwriting Agreement, by notice in writing to the Company, with immediate effect, if prior to 8:00 a.m. on the Listing Date:

- (a) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the Nasdaq or the Hong Kong Stock Exchange;
- (b) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market;
- (c) a material disruption in securities settlement, payment or clearance services in the United States, the Cayman Islands, the PRC or Hong Kong shall have occurred;
- (d) any moratorium on commercial banking activities shall have been declared by the United States Federal, New York State, the Cayman Islands, the PRC or Hong Kong authorities; and
- (e) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets, currency exchange rates or controls or any calamity or crisis or any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national, regional or international emergency or war, acts of war, acts of terrorism or acts of God) that, in the reasonable judgment of the Joint Representatives, is material and adverse and which, singly or together with any other event specified in this paragraph, makes it, in the reasonable judgment of the Joint Representatives, impracticable to proceed with the offer, sale or delivery of the Offer Shares on the terms and in the manner contemplated in this document, the registration statement, the pricing disclosure package and the final prospectus supplement to be filed by us in connection with the International Offering.

### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

We have undertaken to each of the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that for the period commencing on the Price Determination Date and ending on, and including, the date that is 90 days after the Price Determination Date (the “**Lock-Up Period**”), or such earlier date that the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Underwriters) consent to in writing, and unless in compliance with the requirements of the Hong Kong Listing Rules, we will not, directly or indirectly, take any of the following actions with respect to our Shares or ADSs, or any securities convertible into or exchangeable or exercisable for any of our Shares or ADSs (“**Lock-Up Securities**”):

- (a) offer, sell, issue, pledge, contract to sell or otherwise dispose of Lock-Up Securities;
- (b) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities;
- (c) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the U.S. Exchange Act;

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- (d) file with the SEC a registration statement under the U.S. Securities Act relating to Lock-Up Securities, other than registration statements on Form S-8 relating to the issuance, vesting, exercise or settlement of equity awards granted or to be granted pursuant to any employee benefit plan described in this document,

without the prior written consent of the Joint Sponsors and the Joint Representatives, provided, however, that we shall be permitted during the Lock-Up Period to:

- (i) sell, or cause to be sold, the Offer Shares to be sold and/or issued hereunder, including, for avoidance of doubt, any Shares to be loaned and sold pursuant to the borrowing arrangement by and among Baidu Holdings Limited and J.P. Morgan Securities plc, which arrangement is intended to facilitate stabilizing activities in connection with the Global Offering;
- (ii) issue ADSs upon conversion of Shares into ADSs;
- (iii) issue securities upon conversion of convertible notes outstanding on the date of the Hong Kong Underwriting Agreement, and following the lapse of 30 days after the Price Determination Date, offer, sell, issue or grant notes (similar to the convertible senior notes and exchangeable senior notes previously issued) or warrants convertible or exchangeable for Shares or ADSs;
- (iv) grant or issue securities pursuant to the Share Incentive Plans, including the effect of one or more bulk issuances of Shares or ADSs in contemplation of future issuances under the Share Incentive Plans;
- (v) effect any capitalization issue, capital reduction or consolidation or sub-division of the Shares;
- (vi) issue any securities in connection with the Company's acquisition of one or more businesses, assets, products or technologies, or in connection with any joint ventures, commercial relationships or other strategic corporate transactions involving the Company, provided that the recipients of such securities execute a lock-up agreement in favor of the Underwriters containing substantially the same obligations; and
- (vii) repurchase securities pursuant to the Company's share repurchase programs existing on the date of the Hong Kong Underwriting Agreement.

### **International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with among others, the Joint Representatives (for themselves and on behalf of the International Underwriters) on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. The International Offering will consist of a U.S. offering and a non-U.S. offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong

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## UNDERWRITING

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Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. For further details, please refer to “Structure of the Global Offering—The International Offering”.

### *Over-allotment Option*

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the date of International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which we may be required to issue up to an aggregate of 4,745,300 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the International Offer Price, to cover over-allocations in the International Offering, if any. For further details, please refer to “Structure of the Global Offering—The International Offering—Over-allotment Option”.

### *Commissions and expenses*

The Underwriters will receive an underwriting commission of up to 1.25% of the aggregate offer price of all the Offer Shares (including any Offer Shares to be issued by us pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, SEC registration fees, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be up to approximately HK\$198 million (assuming an indicative offer price of HK\$333.00 per Offer Share for both Hong Kong Public Offering and International Offering and the exercise of the Over-allotment Option in full) and will be paid by our Company.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or

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## UNDERWRITING

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instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period as described in "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilization Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.



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## UNDERWRITING

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### LOCK-UP UNDERTAKING BY BAIDU HOLDINGS LIMITED

Baidu Holdings Limited has agreed with the International underwriters and the Hong Kong Underwriters that, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Underwriters), it will not, and shall procure any entities controlled by Baidu Holdings Limited not to, during the period commencing on the Price Determination Date and ending at the close of business 90 days after the Price Determination Date relating to the Global Offering (such period, the “**Restricted Period**”), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or ADSs, or any securities convertible into or exercisable or exchangeable for Shares or ADSs (collectively, “**Covered Securities**”), beneficially owned as at the Pricing of the Global Offering by Baidu Holdings Limited, or publicly disclose the intention to make any offer, sale, pledge or disposition of such securities, (2) enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares or ADSs or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Shares or ADSs or such other securities, in cash or otherwise or (3) make any demand for or exercise any right with respect to the registration of any Covered Securities.

The restrictions described in the immediately preceding paragraph do not apply to, among other items:

- (a) transfers of Covered Securities as a bona fide gift or gifts or by testate succession or intestate distribution;
- (b) any ADSs or Shares acquired by Baidu Holdings Limited in the open market, or any ADSs or Shares acquired in private transactions from third parties to the extent such acquired Shares or ADSs are not subject to any lock-up or similar transfer restrictions, upon or after the completion of the Global Offering;
- (c) transfers or distributes to wholly-owned, majority-owned or other controlled and consolidated affiliates (“affiliate” as defined in Rule 12b-2 of the Exchange Act) of Baidu Holdings Limited or to a trust, the direct or indirect beneficiary of which is Baidu Holdings Limited;
- (d) the transfer of Covered Securities pursuant to any contractual arrangement that provides for the repurchase of the Shares or such other securities by the Company;
- (e) any Covered Securities loaned to the Stabilizing Manager pursuant to the Stock Borrowing Agreement;
- (f) any conversion of the Covered Securities into, or exchange or exercise of the Covered Securities for, Shares or ADSs by it, provided that the Shares or ADSs received by it upon such conversion, exchange or exercise shall be subject to the terms of the lock-up restriction set forth above;
- (g) establish any contract, instruction or plan (a “**Plan**”) pursuant to Rule 10b5-1 under the U.S. Exchange Act for the transfer of ADSs or Shares, provided that (i) such Plan does not provide for the transfer of the Covered Securities during the Restricted Period and (ii) no filing under the U.S. Exchange Act or other public announcements shall be required or shall be voluntarily made by or on behalf of Baidu Holdings Limited or the Company regarding the establishment of such plan during the Restricted Period.

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## UNDERWRITING

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- (h) any transfers, sales, tenders or other dispositions of ADSs or Shares or any security convertible into or exercisable or exchangeable for ADSs or Shares pursuant to a bona fide third party tender offer, merger, amalgamation, consolidation or other similar transaction made to or involving all holders of ADSs or Shares or such other securities in connection with a change of control or majority of the ownership of the Company is transferred to such third party (including, without limitation, the entering into any lock-up, voting or similar agreement pursuant to which Baidu Holdings Limited may agree to transfer, sell, tender or otherwise dispose of ADSs or Shares or other such securities in connection with such transaction, or vote any Shares or other such securities in favor of any such transaction); provided that if such tender offer, merger, amalgamation, consolidation or other similar transaction is not completed, any ADSs or Shares or any security convertible into or exercisable or exchangeable for ADSs or Shares subject to this lock-up agreement shall remain subject to the restrictions contained in this lock-up agreement.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. J.P. Morgan Securities (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited and Goldman Sachs (Asia) L.L.C. are the Joint Representatives of the Global Offering.

The listing of the Shares on the Main Board of the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document.

31,635,600 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 2,214,500 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of initially 29,421,100 Shares (subject to reallocation and the Over-allotment Option) pursuant to the shelf registration statement on Form F-3 that was filed with the SEC and automatically effective on September 25, 2019, a preliminary prospectus supplement, and a final prospectus supplement.

Investors may either:

- (a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (b) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 5.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the conversion of convertible notes or the Share Incentive Plans. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 5.7% of the total Shares in issue immediately following the completion of the Global Offering and the full exercise of the Over-allotment Option assuming no Shares are issued pursuant to the conversion of convertible notes or the Share Incentive Plans. References in this document to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

We are initially offering 2,214,500 Shares for subscription by the public in Hong Kong at the Hong Kong Offer Price, representing approximately 7.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.4% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the conversion of convertible notes or the Share Incentive Plans).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers,

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## STRUCTURE OF THE GLOBAL OFFERING

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companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed “Conditions of the Global Offering” in this section below.

### **Allocation**

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering.

The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Hong Kong Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 1,107,250 Hong Kong Offer Shares is liable to be rejected.

### **Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules to the effect as further described below.

2,214,500 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 7% of the Offer Shares initially available under the Global Offering.

Based on the current market conditions, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents: (a) 10 times or more but less than 40 times, (b) 40 times or

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## STRUCTURE OF THE GLOBAL OFFERING

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more but less than 60 times and (c) 60 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 3,479,950 Offer Shares (in the case of (a)), 4,429,000 Offer Shares (in the case of (b)) and 8,858,000 Offer Shares (in the case of (c)), representing approximately 11.0%, 14.0% and 28.0% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

In addition, the Joint Representatives may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to the clawback mechanism above, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e., 4,429,000 Shares, representing approximately 14.0% of the total number of Offer Shares initially available under the Global Offering).

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the allotment results announcement of the Hong Kong Public Offering, which is expected to be published on Friday, April 16, 2021.

### **Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Hong Kong Offer Price of HK\$333.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$16,817.78 for one board lot of 50 Shares. If the Hong Kong Offer Price, as finally determined in the manner described in "Pricing and allocation" is less than the maximum Hong Kong Offer Price of HK\$333.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares".

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 29,421,100 Offer Shares, representing approximately 93% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 4.65% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the conversion of convertible notes or the Share Incentive Plans).

#### Allocation

The International Offering will include U.S. offering of Offer Shares in the United States as well as non-U.S. offering to institutional and professional and other investors in other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “Pricing and allocation” and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

#### Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in paragraph headed “The Hong Kong Public Offering—Reallocation” in this section above, and the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

#### Over-allotment Option

In connection with the Global Offering, we expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters). Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 4,745,300 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the International Offer Price under the International Offering to cover over-allocations in the International Offering, if any.



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## STRUCTURE OF THE GLOBAL OFFERING

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If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.7% of the total Shares in issue immediately following the completion of the Global Offering assuming no Shares are issued pursuant to the conversion of convertible notes or the Share Incentive Plans. If the Over-allotment Option is exercised, an announcement will be made.

### STABILIZATION

Underwriters use stabilization in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which the stabilization is effected is not permitted to exceed the Hong Kong Offer Price.

In connection with the Global Offering, the Stabilization Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date in the Hong Kong market. However, there is no obligation on the Stabilization Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken: (a) will be conducted at the absolute discretion of the Stabilization Manager (or any person acting for it) and in what the Stabilization Manager reasonably regards as our best interest; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering. The Company will not, and will cause its affiliates or any of its or its affiliates' respective directors, officers, employees, or any person acting on its behalf or on behalf of any of the foregoing persons not to conduct any stabilizing action.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes: (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares; (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under Paragraphs (a) or (b) above; (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilization Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilization Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilization Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on

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## STRUCTURE OF THE GLOBAL OFFERING

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Thursday, May 13, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- (e) the price of the Shares cannot be assured to stay at or above the Hong Kong Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Hong Kong Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

In addition, stabilization transactions with respect to the ADSs may be effected by one of the Underwriters or its affiliates before the listing of the Shares on the Hong Kong Stock Exchange in accordance with applicable laws and regulations.

### **Over-allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilization Manager (or any person acting for it) in the secondary market at prices that do not exceed the Hong Kong Offer Price or through the Stock Borrowing Agreement as detailed below.

### **Stock Borrowing Agreement**

To cover any over-allocation of Shares in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may choose to borrow up to 4,745,300 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Baidu Holdings Limited pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilization Manager (or its affiliates or any person acting for it) and Baidu Holdings Limited on or before the Price Determination Date for the sole purpose of covering any short position before the exercise of the Over-allotment Option.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Baidu Holdings Limited by the Stabilization Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

### **Pricing and allocation**

#### ***Determining the Offer Price***

We will determine the pricing for the Offer Shares for the purpose of the various offerings under the Global Offering on the Price Determination Date, which is expected to be on or about Tuesday, April 13, 2021 and, in any event, no later than Friday, April 16, 2021, by agreement with the Joint Representatives (for themselves and on behalf of the Underwriters), and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

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## STRUCTURE OF THE GLOBAL OFFERING

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We will determine the Hong Kong Offer Price by reference to, among other factors, the closing price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date, and the Hong Kong Offer Price will not be more than HK\$333.00 per Hong Kong Offer Share. The historical prices of our ADSs and trading volume on Nasdaq are set out below.

<u>Period</u>	<u>High</u> <u>(US\$)</u>	<u>Low</u> <u>(US\$)</u>	<u>ADTV</u> <u>(ADSs)(Note)</u>
Fiscal year ended December 31, 2020 .....	38.94	21.63	5,552,862
Fiscal year of 2021 (up to March 31, 2021) .....	44.57	31.15	4,970,192

Note: Average daily trading volume (“ADTV”) represents daily average number of our ADSs traded over the relevant period.

Applicants under the Hong Kong Public Offering must pay, on application, the maximum Hong Kong Offer Price of HK\$333.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK\$16,817.78 for one board lot of 50 Shares.

We may set the International Offer Price at a level higher than the maximum Hong Kong Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the Nasdaq on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Hong Kong Offer Price as stated in this document and/or (b) we believe that it is in its best interest as a listed company to set the International Offer Price at a level higher than the maximum Hong Kong Offer Price based on the level of interest expressed by professional and institutional investors during the book-building process.

If the International Offer Price is set at or lower than the maximum Hong Kong Offer Price, the Hong Kong Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will we set the Hong Kong Offer Price above the maximum Hong Kong Offer Price as stated in this document or the International Offer Price.

We reserve the right not to proceed with the Hong Kong Public Offering or the International Offering on or at any time until the Price Determination Date if, for any reason, including as a result of volatility in the price of our ADSs or other changes in market conditions, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Friday, April 16, 2021.

The International Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with our consent, reduce the number of Offer Shares offered below as stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on our website and the website of the Hong Kong Stock Exchange at [investors.trip.com](http://investors.trip.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, notices of the reduction.

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## STRUCTURE OF THE GLOBAL OFFERING

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Upon the issue of such a notice, the revised number of Offer Shares will be final. If the number of Offer Shares is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this document, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

The final pricing of the Offer Shares, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares—Publication of Results”.

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, our agreeing with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting”.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue (including Shares on conversion of convertible notes) and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued pursuant to the Share Incentive Plans) on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the pricing of the Offer Shares having been agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days from the date of this document.

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## STRUCTURE OF THE GLOBAL OFFERING

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If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares on or before Friday, April 16, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us on our website and the website of the Hong Kong Stock Exchange at [investors.trip.com](http://investors.trip.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares—Refund of application monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Monday, April 19, 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

### DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, April 19, 2021, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, April 19, 2021. The Shares will be traded in board lots of 50 Shares each and the stock code of the Shares will be 9961.

### IMPORTANT NOTICE TO INVESTORS:

#### FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this document or any printed copies of any application forms for use by the public.**

This document is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [investors.trip.com](http://investors.trip.com). If you require a printed copy of this document, you may download and print from the website addresses above.

The contents of the electronic version of the document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

If you have any questions about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8646 from 9:00 a.m. to 9:00 p.m. on Thursday, April 8, 2021 and Friday, April 9, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, April 10, 2021 and Sunday, April 11, 2021, from 9:00 a.m. to 9:00 p.m. on Monday, April 12, 2021 and from 9:00 a.m. to 12:00 noon on Tuesday, April 13, 2021.

#### A. Applications for the Hong Kong Offer Shares

##### 1. How to Apply

**We will not provide any printed application forms for use by the public.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk);
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

- (iii) If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.
- (iv) If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.
- (v) None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.
- (vi) We, the Joint Representatives, the **White Form eIPO** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

### 2. Who Can Apply

#### *Eligibility for the Application*

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- (a) are 18 years of age or older; and
- (b) have a Hong Kong address.

If an application is made by a person under a power of attorney, we and the Joint Representatives may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules or any relevant waivers that have been granted by the Hong Kong Stock Exchange (details of the relevant waivers are set out in "Waivers and Exemptions—Subscription for Shares by Existing Shareholders" and "Waivers and Exemptions—Dealings in Shares prior to Listing" in this document), you cannot apply for any Hong Kong Offer Shares if:

- (a) you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our subsidiaries;
- (b) you are our director or chief executive officer and/or a director or chief executive officer of our subsidiaries;
- (c) you are a close associate of any of the above persons;
- (d) you are a core connected person of the Company or a person who will become a core connected person of the Company immediately upon the completion of the Global Offering; or
- (e) you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Items Required for the Application*

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- (a) have a valid Hong Kong identity card number; and
- (b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, please contact them for the items required for the application.

### **3. Terms and Conditions of an Application**

By applying through the application channels specified in this document you:

- (a) undertake to execute all relevant documents and instruct and authorize us and/or the Joint Representatives (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act;
- (c) confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;
- (d) confirm that you have received and read this document and have relied only on the information and representations in this document in making your application and will not rely on any other information or representations, except those in any supplement to this document;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this document;
- (f) agree that none of us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the “**Relevant Persons**”) and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this document (and any supplement to this document);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (h) agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither we nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this document;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- (l) warrant that the information you have provided is true and accurate;
- (m) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (n) authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association and (ii) us and/or our agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed “—Personal Collection” below to collect the share certificate(s) and/or refund check(s) in person;
- (o) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (p) understand that we, our directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (q) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (r) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
50	16,817.78	1,000	336,355.64	20,000	6,727,112.82	700,000	235,448,948.70
100	33,635.57	1,500	504,533.47	30,000	10,090,669.23	800,000	269,084,512.80
150	50,453.35	2,000	672,711.28	40,000	13,454,225.64	900,000	302,720,076.90
200	67,271.13	2,500	840,889.11	50,000	16,817,782.05	1,000,000	336,355,641.00
250	84,088.91	3,000	1,009,066.92	60,000	20,181,338.46	1,107,250 <sup>(1)</sup>	372,429,783.49
300	100,906.70	3,500	1,177,244.75	70,000	23,544,894.87		
350	117,724.48	4,000	1,345,422.56	80,000	26,908,451.28		
400	134,542.26	4,500	1,513,600.39	90,000	30,272,007.69		
450	151,360.04	5,000	1,681,778.21	100,000	33,635,564.10		
500	168,177.83	6,000	2,018,133.85	200,000	67,271,128.20		
600	201,813.38	7,000	2,354,489.49	300,000	100,906,692.30		
700	235,448.95	8,000	2,690,845.13	400,000	134,542,256.40		
800	269,084.51	9,000	3,027,200.77	500,000	168,177,820.50		
900	302,720.08	10,000	3,363,556.41	600,000	201,813,384.60		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### 5. Applying Through the White Form eIPO Service

#### General

Individuals who meet the criteria in the paragraph headed “—Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8646 which is available from 9:00 a.m. to 9:00 p.m. on Thursday, April 8, 2021 and Friday, April 9, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, April 10, 2021 and Sunday, April 11, 2021, from 9:00 a.m. to 9:00 p.m. on Monday, April 12, 2021 and from 9:00 a.m. to 12:00 noon on Tuesday, April 13, 2021.

#### Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, April 8, 2021 until 11:30 a.m. on Tuesday, April 13, 2021 and the latest

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, April 13, 2021, the last day for applications, or such later time as described in the paragraph headed “C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

### *Commitment to sustainability*

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “Trip.com Group Limited” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support sustainability.

## 6. Applying Through CCASS EIPO Service

### *General*

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Joint Sponsors, the Joint Representatives and the Hong Kong Share Registrar.

### *Applying through CCASS EIPO Service*

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this document; and
- (b) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as its agent;
- confirm that you understand that we, our directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorize us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;
- confirm that you have received and read this document and have relied only on the information and representations in this document in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this document;
- agree that neither we nor any of the Relevant Persons is or will be liable for any information and representations not in this document (and any supplement to this document);
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us, and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this document. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance ) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this document;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by us;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for the Hong Kong Offer Shares;
- agree with us, for ourselves and for the benefit of each shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each shareholder, with each CCASS Participant giving electronic application instructions) to observe and comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

### *Effect of Applying through CCASS EIPO Service*

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

- (a) instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- (b) instructed and authorized HKSCC to arrange payment of the maximum Hong Kong Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Hong Kong Offer Price is less than the maximum Hong Kong Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this document.

### *Time for Inputting Electronic Application Instructions<sup>Note</sup>*

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

**Thursday, April 8, 2021—9:00 a.m. to 8:30 p.m.**  
**Friday, April 9, 2021—8:00 a.m. to 8:30 p.m.**  
**Monday, April 12, 2021— 8:00 a.m. to 8:30 p.m.**  
**Tuesday, April 13, 2021—8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, April 8, 2021 until 12:00 noon on Tuesday, April 13, 2021 (24 hours daily, except on Tuesday, April 13, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, April 13, 2021, the last day for applications, or such later time as described in the paragraph headed “C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

### ***Personal Data***

The following Personal Information Collection Statement applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through CCASS EIPO service, you agree to all of the terms of the Personal Information Collection Statement below.

### ***Personal Information Collection Statement***

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### ***Reasons for the collection of your personal data***

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### ***Purposes***

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- (a) processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this document and announcing results of allocation of the Hong Kong Offer Shares;
- (b) compliance with applicable laws and regulations in Hong Kong and elsewhere;
- (c) registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- (d) maintaining or updating our Register of Members;
- (e) verifying identities of the holders of our Shares;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (f) establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- (g) distributing communications from us and our subsidiaries;
- (h) compiling statistical information and profiles of the holder of our Shares;
- (i) disclosing relevant information to facilitate claims on entitlements; and
- (j) any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

### *Transfer of personal data*

Personal data held by us and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- (a) our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- (b) where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- (c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;
- (d) the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- (e) any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

We and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

## **7. Warning for Electronic Applications**

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, the Relevant Persons, the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, April 13, 2021.

### 8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

**All** of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an unlisted company makes an application and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“**Statutory control**” means you:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **B. How Much are the Hong Kong Offer Shares**

The maximum Hong Kong Offer Price is HK\$333.00 per Hong Kong Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 50 Hong Kong Offer Shares, you will pay HK\$16,817.78.

You must pay the maximum Hong Kong Offer Price, together with brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 50 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 50 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the paragraph headed “—4. Minimum Application Amount and Permitted Numbers”.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Hong Kong Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Hong Kong Offer Price, please refer to “Structure of the Global Offering—Pricing and Allocation”.

### **C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists**

The application lists will not open or close if there is/are:

- (a) a tropical cyclone warning signal number 8 or above;
- (b) a “black” rainstorm warning; and/or
- (c) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, April 13, 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, April 13, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” we will make an announcement on our websites at [investors.trip.com](http://investors.trip.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### **D. Publication of Results**

We expect to announce the pricing of the Offer Shares on Tuesday, April 13, 2021 on our website at [investors.trip.com](http://investors.trip.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Friday, April 16, 2021 on our website at [investors.trip.com](http://investors.trip.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- (a) in the announcement to be posted on our website and the website of the Hong Kong Stock Exchange at [investors.trip.com](http://investors.trip.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, by no later than 9:00 a.m. on Friday, April 16, 2021;
- (b) from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Friday, April 16, 2021 to 12:00 midnight on Thursday, April 22, 2021; and
- (c) from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, April 16, 2021 and from Monday, April 19, 2021 to Wednesday, April 21, 2021.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **E. Circumstances in Which You Will Not be allocated the Hong Kong Offer Shares**

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

#### ***If your application is revoked:***

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance ) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this document; or
- (b) if any supplement to this document is issued, in which case we will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. If



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

***If we or our agents exercise discretion to reject your application:***

We, the Joint Representatives, the **White Form eIPO** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

***If:***

- (a) you make multiple applications or are suspected of making multiple applications;
- (b) you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International Offer Shares;
- (c) your payment is not made correctly;
- (d) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);
- (e) you apply for more than 50% of the 2,214,500 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- (f) we or the Joint Representatives believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- (g) the Underwriting Agreements do not become unconditional or are terminated.

**F. Refund of Application Monies**

If an application is rejected, not accepted or accepted in part only, or if the Hong Kong Offer Price as finally determined is less than the maximum Hong Kong Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering—Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Friday, April 16, 2021.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks**

You will receive one share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund checks as mentioned below, any refund checks and share certificate(s) are expected to be posted on or before Friday, April 16, 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, April 19, 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the share certificates or prior to the share certificates becoming valid do so entirely at their own risk.

#### ***Personal Collection***

##### ***If you apply through White Form eIPO service:***

- (a) If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, April 16, 2021, or any other place or date notified by us.
- (b) If you do not personally collect your share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- (c) If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, April 16, 2021 by ordinary post and at your own risk.
- (d) If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

##### ***If you apply through CCASS EIPO service:***

##### ***Allocation of the Hong Kong Offer Shares***

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- (a) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, April 16, 2021 or on any other date determined by HKSCC or HKSCC Nominees.
- (b) We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in the paragraph headed “—Publication of Results” above on Friday, April 16, 2021. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, April 16, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- (c) If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- (d) If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Friday, April 16, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- (e) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Hong Kong Offer Price and the maximum Hong Kong Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Friday, April 16, 2021.

### **H. Admission of the Shares into CCASS**

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

We have made all necessary arrangements to enable the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TRIP.COM GROUP LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND GOLDMAN SACHS (ASIA) L.L.C.**

**Introduction**

We report on the historical financial information of Trip.com Group Limited and its subsidiaries (together, the "Company") set out on pages I-3 to I-71, which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020, and the consolidated statements of income/(loss) and comprehensive income/(loss), the consolidated statements of shareholders' equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated April 8, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of the Company as at December 31, 2018, 2019 and 2020 and of its consolidated financial performance and its consolidated cash flows for each of the years ended December 31, 2018, 2019 and 2020 in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### ***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-3 have been made except for the retrospective adjustments on basic and diluted earnings/(losses) per ordinary share and weighted average ordinary shares outstanding for the years ended December 31, 2018, 2019 and 2020 due to the Share Subdivision that became effective on March 18, 2021 set out in Note 2 and 19 to the Historical Financial Information.

#### ***Dividends***

We refer to Note 2 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong

April 8, 2021



**I. HISTORICAL FINANCIAL INFORMATION OF THE COMPANY****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the Company for the years ended December 31, 2018, 2019 and 2020 (collectively referred as "**Historical Financial Statements**"). The consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP, PRC, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**") relating to the financial statements.

The Historical Financial Information is presented in Renminbi. The United States Dollars ("US\$") amounts disclosed in the Historical Financial Information are presented solely for the convenience of the readers and are calculated at the rate of US\$1.00=RMB6.5250 on December 31, 2020. All values are rounded to the nearest million except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND COMPREHENSIVE INCOME/  
(LOSS)**
**(In millions, except for share and per share data)**

	For the year ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
Revenues:				
Accommodation reservation .....	11,580	13,514	7,132	1,093
Transportation ticketing .....	12,947	13,952	7,146	1,095
Packaged tours .....	3,772	4,534	1,241	190
Corporate travel .....	981	1,255	877	135
Others .....	1,824	2,461	1,931	296
Total revenues .....	31,104	35,716	18,327	2,809
Less: Sales tax and surcharges .....	(139)	(50)	(11)	(2)
Net revenues .....	30,965	35,666	18,316	2,807
Cost of revenues .....	(6,324)	(7,372)	(4,031)	(618)
<b>Gross profit</b> .....	24,641	28,294	14,285	2,189
Operating expenses:				
Product development .....	(9,620)	(10,670)	(7,667)	(1,175)
Sales and marketing .....	(9,596)	(9,295)	(4,405)	(675)
General and administrative .....	(2,820)	(3,289)	(3,636)	(557)
Total operating expenses .....	(22,036)	(23,254)	(15,708)	(2,407)
<b>Income/(loss) from operations</b> .....	2,605	5,040	(1,423)	(218)
Interest income .....	1,899	2,094	2,187	335
Interest expense .....	(1,508)	(1,677)	(1,716)	(263)
Other (expense)/income .....	2 (1,075)	3,630	(273)	(42)
Income/(loss) before income tax expense and equity in loss of affiliates .....	1,921	9,087	(1,225)	(188)
Income tax expense .....	15 (793)	(1,742)	(355)	(54)
Equity in loss of affiliates .....	(32)	(347)	(1,689)	(259)
<b>Net Income/(loss)</b> .....	1,096	6,998	(3,269)	(501)
Net loss attributable to non-controlling interests .....	16	57	62	10
Accretion to redemption value of redeemable non-controlling interests .....	18 —	(44)	(40)	(6)
<b>Net Income/(loss) attributable to Trip.com     Group Limited</b> .....	1,112	7,011	(3,247)	(497)
<b>Net Income/(loss)</b> .....	1,096	6,998	(3,269)	(501)
Other comprehensive (loss)/income:				
Foreign currency translation .....	(1,072)	(289)	75	11
Unrealized securities holding (losses)/ gains, net of tax .....	(696)	266	(178)	(27)
<b>Total comprehensive (loss)/income</b> .....	(672)	6,975	(3,372)	(517)
Comprehensive loss attributable to non- controlling interests .....	16	13	22	4
<b>Comprehensive (loss)/income attributable to     Trip.com Group Limited</b> .....	(656)	6,988	(3,350)	(513)

**CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND COMPREHENSIVE INCOME/  
(LOSS)—continued**

(In millions, except for share and per share data)

	For the year ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
Earnings/(losses) per ordinary share <i>(Note i)</i> . . . 19				
—Basic . . . . .	2.03	12.35	(5.40)	(0.83)
—Diluted . . . . .	1.96	11.50	(5.40)	(0.83)
Earnings/(losses) per ADS (one ADS equals one ordinary share)				
—Basic . . . . .	2.03	12.35	(5.40)	(0.83)
—Diluted . . . . .	1.96	11.50	(5.40)	(0.83)
Weighted average ordinary shares outstanding <i>(Note i)</i>				
—Basic shares . . . . .	547,227,408	567,871,968	600,888,208	600,888,208
—Diluted shares . . . . .	567,396,984	641,952,112	600,888,208	600,888,208
Share-based compensation included in Operating expense above is as follows:				
Product development . . . . .	934	919	964	148
Sales and marketing . . . . .	156	144	159	24
General and administrative . . . . .	617	651	750	115

*Note i: Basic and diluted earnings/(losses) per ordinary share and weighted average ordinary shares outstanding for the years ended December 31, 2018, 2019 and 2020 have been retrospectively adjusted for the Share Subdivision that became effective on March 18, 2021 as detailed in Note 2 and Note 19.*

## CONSOLIDATED BALANCE SHEETS

(In millions, except for share and per share data)

		December 31,			
		2018	2019	2020	2020
		RMB	RMB	RMB	US\$
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents		21,530	19,923	18,096	2,773
Restricted cash		4,244	1,824	1,319	202
Short-term investments		36,753	23,058	24,820	3,804
Accounts receivable, net (Allowance for credit losses of RMB113 million, RMB186 million and RMB559 million, respectively)	2	5,668	7,661	4,119	631
Due from related parties (Allowance for credit losses of nil, nil and RMB72 million, respectively)	13	1,642	2,779	1,802	276
Prepayments and other current assets (Allowance for credit losses of RMB43 million, RMB70 million and RMB168 million, respectively)	3	9,557	12,710	7,855	1,204
<b>Total current assets</b>		<u>79,394</u>	<u>67,955</u>	<u>58,011</u>	<u>8,890</u>
Long-term deposits and prepayments	4	768	1,000	411	63
Long-term receivables due from related parties	13	229	25	25	4
Land use rights	5	94	91	88	14
Property, equipment and software	6	5,872	6,135	5,780	886
Investments	7,8	26,874	51,278	47,943	7,348
Goodwill	9	58,026	58,308	59,353	9,096
Intangible assets	10	13,723	13,173	13,256	2,032
Right-of-use assets	11	—	1,207	987	151
Deferred tax assets	15	850	976	1,395	214
Other long-term assets		—	21	—	—
<b>Total assets</b>		<u>185,830</u>	<u>200,169</u>	<u>187,249</u>	<u>28,698</u>
<b>LIABILITIES</b>					
Current liabilities:					
Short-term debt and current portion of long-term debt	12	36,011	30,516	33,665	5,159
Accounts payable		11,714	12,294	4,506	691
Due to related parties	13	492	400	241	37
Salary and welfare payable	14	3,694	4,829	3,534	542
Taxes payable	15	1,019	1,449	1,217	186
Advances from customers		9,472	11,675	7,605	1,166
Accrued liability for rewards program		528	478	478	73
Other payables and accruals	16	5,854	7,541	7,123	1,091
<b>Total current liabilities</b>		<u>68,784</u>	<u>69,182</u>	<u>58,369</u>	<u>8,945</u>
Deferred tax liabilities	15	3,838	3,592	3,574	548
Long-term debt	17	24,146	19,537	22,718	3,482
Long-term lease liability	11	—	749	618	95
Other long-term liabilities		329	264	403	62
<b>Total liabilities</b>		<u>97,097</u>	<u>93,324</u>	<u>85,682</u>	<u>13,132</u>
<b>Commitments and contingencies</b>	20				
<b>MEZZANINE EQUITY</b>					
Redeemable non-controlling interests	18	—	1,142	—	—

**CONSOLIDATED BALANCE SHEETS—continued**  
**(In millions, except for share and per share data)**

	December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
<b>SHAREHOLDERS' EQUITY</b>				
Share capital (US\$0.00125 par value; 1,400,000,000 shares authorized) ( <i>Note i</i> )	5	6	6	1
Additional paid-in capital	73,876	83,614	83,960	12,867
Statutory reserves	484	635	637	98
Accumulated other comprehensive loss	(1,482)	(1,505)	(1,608)	(247)
Retained earnings	15,943	22,803	19,470	2,984
Less: Treasury stock	(2,111)	(2,111)	(2,111)	(323)
<b>Total Trip.com Group Limited shareholders' equity</b>	<b>86,715</b>	<b>103,442</b>	<b>100,354</b>	<b>15,380</b>
Non-controlling interests	2,018	2,261	1,213	186
<b>Total shareholders' equity</b>	<b>88,733</b>	<b>105,703</b>	<b>101,567</b>	<b>15,566</b>
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>185,830</b>	<b>200,169</b>	<b>187,249</b>	<b>28,698</b>

*Note i: Value per share and the number of shares authorized as of December 31, 2018, 2019 and 2020 have been retrospectively adjusted for the Share Subdivision that became effective on March 18, 2021 as detailed in Note 2 and Note 19.*

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In millions, except for share and per share data)

	Ordinary shares (US\$0.00125 par value)		Number of shares outstanding (Note i)	Par value RMB	Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss)		Retained earnings RMB	Number of Treasury stock (Note i)	Treasury stock RMB	Total Trip.com Group Limited shareholders' equity RMB	Non-controlling interests		Total shareholders' equity RMB
	RMB	US\$					RMB	US\$					RMB	US\$	
Balance as of December 31, 2017	—	—	540,805,232	5	71,341	384	6,379	8,838	(23,433,096)	(2,111)	84,836	1,779	86,615	—	—
Cumulative effect of adoption of new accounting standard	—	—	—	—	—	(6,093)	—	6,093	—	—	—	—	—	—	—
Issuance of ordinary shares for the exercise of stock options	—	—	12,177,232	—	653	—	—	—	—	—	653	—	653	—	653
Share-based compensation	—	—	—	—	1,707	—	—	—	—	—	1,707	—	1,707	—	1,707
Appropriations to statutory reserves	—	—	—	—	—	100	—	(100)	—	—	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	(1,072)	—	—	—	(1,072)	—	(1,072)	—	(1,072)
Unrealized securities holding losses	—	—	—	—	—	—	(696)	—	—	—	(696)	—	(696)	—	(696)
Early Termination of Convertible Notes	—	—	128	—	—	—	—	—	128	—	—	—	—	—	—
Net income / (loss)	—	—	—	—	—	—	—	1,112	—	—	1,112	—	1,112	(16)	1,096
Issuance of additional equity stake by subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	394	394
Disposal of shares in subsidiaries	—	—	—	—	4	—	—	—	—	—	4	—	(34)	(30)	(30)
Acquisition of additional shares in subsidiaries	—	—	—	—	(224)	—	—	—	—	—	(224)	—	(378)	(602)	(602)
Non-controlling interest in subsidiary disposed of in Business Combination	—	—	—	—	395	—	—	—	—	—	395	—	4	399	399
Business combination	—	—	—	—	—	—	—	—	—	—	—	—	269	269	269
Balance as of December 31, 2018	—	—	552,982,592	5	73,876	484	(1,482)	15,943	(23,432,968)	(2,111)	86,715	2,018	88,733	—	88,733

Note i: The number of shares outstanding and treasury stock have been retrospectively adjusted for the Share Subdivision that became effective on March 18, 2021 as detailed in Note 2 and Note 19.



**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY—continued**  
(In millions, except for share and per share data)

	Ordinary shares (US\$0.00125 par value)		Number of shares outstanding (Note i)	Par value RMB	Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss) RMB	Retained earnings RMB	Number of Treasury stock (Note i)	Treasury stock RMB	Total Trip.com Group Limited shareholders' equity RMB	Non- controlling interests RMB	Total shareholders' equity RMB
	RMB	US\$											
Balance as of December 31, 2018	552,982,592	5	552,982,592	73,876	484	(1,482)	15,943	(23,432,968)	(2,111)	86,715	2,018	88,733	
Issuance of ordinary shares for the exercise of stock options	6,837,992	—	6,837,992	467	—	—	—	—	—	467	—	467	
Share-based compensation	—	—	—	1,680	—	—	—	—	—	1,680	34	1,714	
Appropriations to statutory reserves	—	—	—	—	151	—	(151)	—	—	—	—	—	
Foreign currency translation adjustments	—	—	—	—	—	(289)	—	—	—	(289)	—	(289)	
Unrealized securities holding gains	—	—	—	—	—	266	—	—	—	266	—	266	
Accretion of redeemable non-controlling interests	—	—	—	—	—	—	(44)	—	—	(44)	—	(44)	
Net income / (loss)	—	—	—	—	—	—	7,055	—	—	7,055	(57)	6,998	
Deconsolidation of shares in subsidiaries	—	—	—	—	—	—	—	—	—	—	(45)	(45)	
Issuance of additional equity stake by subsidiaries	—	—	—	—	—	—	—	—	—	—	19	19	
Disposal of shares in subsidiaries	—	—	—	2	—	—	—	—	—	2	—	2	
Equity transaction in which a non-controlling interest in a subsidiary is exchanged for a non-controlling interest in another subsidiary	—	—	—	(25)	—	—	—	—	—	(25)	25	—	
Business combination	—	—	—	—	—	—	—	—	—	—	267	267	
Share issuance for the investments	32,870,648	1	32,870,648	7,614	—	—	—	—	—	7,614	—	7,615	
Balance as of December 31, 2019	592,691,232	6	592,691,232	83,614	635	(1,505)	22,803	(23,432,968)	(2,111)	103,442	2,261	105,703	

Note i: The number of shares outstanding and treasury stock have been retrospectively adjusted for the Share Subdivision that became effective on March 18, 2021 as detailed in Note 2 and Note 19.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY—continued**  
(In millions, except for share and per share data)

	Ordinary shares (US\$0.00125 par value)		Number of shares outstanding (Note i)	Par value RMB	Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss)		Retained earnings RMB	Number of Treasury stock (Note i)	Treasury stock RMB	Total Trip.com Group Limited shareholders' equity		Total shareholders' equity	
	RMB	US\$					RMB	US\$				RMB	US\$	RMB	US\$
Balance as of December 31, 2019	592,691,232	6	83,614	635	(1,505)	22,803	(23,432,968)	(2,111)	103,442	2,261	105,703				
Cumulative effect of adoption of new accounting standard (Note 2)	—	—	—	—	—	(83)	—	—	(83)	—	(83)				
Issuance of ordinary shares for the exercise of stock options	6,935,904	—	159	—	—	—	—	—	159	—	159				
Share-based compensation	—	—	1,873	—	—	—	—	—	1,873	—	1,873				
Appropriations to statutory reserves	—	—	—	3	—	(3)	—	—	—	—	—				
Foreign currency translation adjustments	—	—	—	—	75	—	—	—	75	—	75				
Unrealized securities holding gains	—	—	—	—	(178)	—	—	—	(178)	—	(178)				
Accretion of redeemable non-controlling interests	—	—	—	—	—	(40)	—	—	(40)	—	(40)				
Net income / (loss)	—	—	—	—	—	(3,207)	—	—	(3,207)	—	(3,207)				
Deconsolidation of shares in subsidiaries	—	—	—	—	—	—	—	—	—	176	176				
Issuance of additional equity stake by subsidiaries	—	—	—	—	—	—	—	—	—	—	—				
Disposal of shares in subsidiaries	—	—	—	—	—	—	—	—	—	5	5				
Equity transaction in which a non-controlling interest in a subsidiary is exchanged for a non-controlling interest in another subsidiary	—	—	9	—	—	—	—	—	9	(9)	—				
Acquisition of additional shares in subsidiaries	—	—	(1,695)	—	—	—	—	—	(1,695)	(925)	(2,620)				
Balance as of December 31, 2020	599,627,136	6	83,960	637	(1,608)	19,470	(23,432,968)	(2,111)	100,354	1,213	101,567				

Note i: The number of shares outstanding and treasury stock have been retrospectively adjusted for the Share subdivision that became effective on March 18, 2021 as detailed in Note 2 and Note 19.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	For the year ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
<b>Cash flows from operating activities:</b>				
Net income/(loss) . . . . .	1,096	6,998	(3,269)	(501)
<i>Adjustments to reconcile net income/(loss) to cash provided by operating activities:</i>				
Share-based compensation . . . . .	1,707	1,714	1,873	287
Equity in loss of affiliates . . . . .	32	347	1,689	259
Loss from disposal of property, equipment and software . . . . .	41	28	100	15
Gain on deconsolidation of subsidiaries . . . . .	—	(161)	(1,091)	(167)
(Gain)/loss from disposal of long-term investment . . . . .	(1,181)	(318)	602	92
Loss/(gain) from disposal of a subsidiary . . . . .	2	11	(36)	(6)
Impairments of long-term investments . . . . .	—	205	905	139
Provision/(settlement) of provision and contingent liability balances related to an equity method investments . . . . .	61	(603)	—	—
Changes in fair value for equity securities investment and exchangeable senior notes . . . . .	3,064	(2,334)	612	94
Gain from the re-measurement of the previously held equity interest to the fair value in the business acquisition . . . . .	(249)	(196)	—	—
Gain from foreign currency forwards . . . . .	—	(105)	(47)	(7)
Allowance for credit losses . . . . .	69	191	700	107
Depreciation of property, equipment and software . . . . .	546	656	790	121
Amortization of intangible assets and land use rights . . . . .	436	440	427	65
Amortization of right of use assets . . . . .	—	354	349	53
Deferred income tax benefits . . . . .	(632)	(176)	(493)	(75)
<i>Changes in current assets and liabilities, net of assets acquired and liabilities assumed/disposed of in business combinations/dispositions, net of deconsolidations:</i>				
(Increase)/decrease in accounts receivable . . . . .	(704)	(2,041)	3,189	489
(Increase)/decrease in due from related parties . . . . .	(1,280)	(1,054)	821	126
(Increase)/decrease in prepayments and other current assets . . . . .	(2,039)	(2,245)	3,838	588
(Increase)/decrease in long-term receivables . . . . .	(41)	146	60	9
Increase/(decrease) in accounts payable . . . . .	3,687	540	(7,762)	(1,190)
Increase/(decrease) in due to related parties . . . . .	73	62	(159)	(24)
Increase/(decrease) in salary and welfare payable . . . . .	220	1,143	(1,318)	(202)
Increase/(decrease) in taxes payable . . . . .	42	407	(242)	(37)
Increase/(decrease) in advances from customers . . . . .	1,333	2,211	(4,073)	(624)
Decrease in accrued liability for rewards program . . . . .	(82)	(50)	—	—
Increase/(decrease) in other payables and accruals . . . . .	914	1,163	(1,288)	(199)
Net cash provided by/(used in) operating activities . . . . .	<u>7,115</u>	<u>7,333</u>	<u>(3,823)</u>	<u>(588)</u>
<b>Cash flows from investing activities:</b>				
Purchase of property, equipment and software . . . . .	(673)	(823)	(532)	(81)
Cash paid for long-term investments . . . . .	(4,387)	(15,834)	(9,770)	(1,497)
Cash received from/(paid for) business combinations, net of cash acquired . . . . .	1	(212)	(958)	(147)
Purchase of intangible assets . . . . .	(35)	(11)	—	—
(Increase)/decrease in short-term investments . . . . .	(8,811)	15,011	6,909	1,059
Cash received from loans to the users . . . . .	1,022	2,553	3,992	612
Cash paid for loans to the users . . . . .	(998)	(2,748)	(3,944)	(604)
Net change in loans to the users with terms of less than three months . . . . .	(918)	(1,084)	91	14
Cash received from disposal of long-term investments . . . . .	723	719	708	109
Cash disposed from deconsolidation of subsidiaries . . . . .	—	(3)	(313)	(48)
Cash (disposed)/received from disposal of subsidiaries . . . . .	(2)	19	(4)	(1)
Net cash used in investing activities . . . . .	<u>(14,078)</u>	<u>(2,413)</u>	<u>(3,821)</u>	<u>(584)</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS—continued**  
**(In millions)**

	<b>For the year ended December 31,</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
<b>Cash flows from financing activities:</b>				
Proceeds from/(repayment of) short-term bank loans, net . . . . .	11,768	(3,079)	4,020	616
Proceeds from long-term bank loans . . . . .	2,973	5,146	14,189	2,175
Repayment of long-term loans, including current portion . . . . .	—	(3,147)	(3,589)	(550)
Proceeds from exercise of share options . . . . .	677	467	159	24
Cash paid for acquisition of additional equity stake in subsidiaries . . . . .	(1,196)	(220)	(2,089)	(320)
Cash paid for settlement of convertible notes . . . . .	(3,297)	(10,048)	(9,522)	(1,459)
Proceeds from securitization debt . . . . .	608	1,074	147	22
Cash paid for settlement of securitization debt . . . . .	—	(608)	(690)	(106)
Cash received from non-controlling shareholders . . . . .	393	1,159	5	1
Proceeds from issuance of exchangeable senior notes . . . . .	—	—	3,395	520
Net cash provided by/(used in) financing activities . . . . .	<u>11,926</u>	<u>(9,256)</u>	<u>6,025</u>	<u>923</u>
Effect of foreign exchange rate changes on cash and cash equivalents, restricted cash . . . . .	819	309	(713)	(109)
Net increase/(decrease) in cash and cash equivalents, restricted cash . . . . .	5,782	(4,027)	(2,332)	(358)
Cash and cash equivalents, restricted cash, beginning of year . . . . .	<u>19,992</u>	<u>25,774</u>	<u>21,747</u>	<u>3,333</u>
Cash and cash equivalents, restricted cash, end of year . . . . .	<u>25,774</u>	<u>21,747</u>	<u>19,415</u>	<u>2,975</u>
<b>Supplemental disclosure of cash flow information</b>				
Cash paid during the year for income taxes . . . . .	1,315	1,496	1,239	190
Cash paid for interest, net of amounts capitalized . . . . .	1,444	1,637	1,642	252
<b>Supplemental schedule of non-cash investing and financing activities</b>				
Non-cash consideration paid for business acquisitions, investments and non-controlling interest . . . . .	(942)	(400)	(50)	(8)
Share issuance as the consideration for equity investment . . . . .	—	(7,615)	—	—
Accruals related to purchase of property, equipment and software . . . . .	(22)	(144)	(126)	(19)
Unpaid cash consideration for business acquisitions and acquisition of additional shares of subsidiary . . . . .	(188)	—	(43)	(7)

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**1. ORGANIZATION AND NATURE OF OPERATIONS**

The accompanying consolidated financial statements include the financial statements of Trip.com Group Limited (the “Company”, formerly known as Ctrip.com International, Ltd.), its subsidiaries, variable interest entities (the “VIEs”) and VIEs’ subsidiaries. In these consolidated financial statements, where appropriate, the term “Company” also refers to its subsidiaries, VIEs and VIEs’ subsidiaries as a whole.

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

**2. PRINCIPAL ACCOUNTING POLICIES*****Basis of presentation***

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

On March 18, 2021, the Company announced that the following proposed resolution submitted for shareholder approval has been adopted and approved as a special resolution at the Company’s extraordinary general meeting of shareholders: Each of the Company’s issued and unissued ordinary shares of a nominal or par value of US\$0.01 each in the capital of the Company be and is hereby subdivided into eight (8) ordinary shares of a nominal or par value of US\$0.00125 each in the capital of the Company, effective from March 18, 2021 (“Share Subdivision”). The Company also announced that, concurrently with the effectiveness of the Share Subdivision, the ratio of ADS to ordinary share will be adjusted from eight (8) ADSs representing one (1) ordinary share to one (1) ADS representing one (1) ordinary share (the “ADS Ratio Change”). The number of ordinary shares as disclosed in these consolidated financial statements are prepared on a basis after taking into account the effects of the Share Subdivision and the ADS Ratio Change and have been retrospectively adjusted accordingly.

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

***Consolidation***

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

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

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Consolidation—continued***

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

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

Name of VIE and VIEs’ subsidiaries	Date of establishment/acquisition
Shanghai Ctrip Commerce Co., Ltd. (“Shanghai Ctrip Commerce”)	Established on July 18, 2000
Shanghai Huacheng Southwest International Travel Agency Co., Ltd. (“Shanghai Huacheng”, formerly known as Shanghai Huacheng Southwest Travel Agency Co., Ltd.)	Established on March 13, 2001
Chengdu Ctrip Travel Agency Co., Ltd. (“Chengdu Ctrip”)	Established on January 8, 2007
Beijing Qu Na Information Technology Company Limited (“Qunar Beijing”)	Established on March 17, 2006

The Company is considered the primary beneficiary of a VIE or VIEs’ subsidiary and consolidated the VIE or VIEs’ subsidiary if the Company had variable interests, that will absorb the entity’s expected losses, receive the entity’s expected residual returns, or both.

***Major variable interest entities and their subsidiaries***

The Company conducts a part of its operations through a series of agreements with certain VIEs and VIEs’ subsidiaries as stated in above. These VIEs and VIEs’ subsidiaries are used solely to facilitate the Company’s participation in Internet content provision, advertising business, travel agency and air-ticketing services in the People’s Republic of China (“PRC”) where foreign ownership is restricted. From 2015, the Company restructured its business lines to change some of its VIEs to its wholly owned subsidiaries, which carry out the businesses that are not foreign ownerships restricted.

Shanghai Ctrip Commerce is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip Commerce holds value-added telecommunications operation licenses and is primarily engaged in the provision of advertising business on the Internet website. Two senior officers of the Company collectively hold 100% of the equity interest in Shanghai Ctrip Commerce. The registered capital of Shanghai Ctrip Commerce was RMB900,000,000 as of December 31, 2020.

Shanghai Huacheng is a domestic company incorporated in Shanghai, the PRC. Shanghai Huacheng holds a travel agency operation license and mainly provides domestic, inbound and



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Major variable interest entities and their subsidiaries—continued***

outbound tour services and air-ticketing services. Shanghai Ctrip Commerce holds 100% of the equity interest in Shanghai Huacheng. The registered capital of Shanghai Huacheng was RMB100,000,000 as of December 31, 2020.

Chengdu Ctrip is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip holds a travel agency operation license and is engaged in the provision of air-ticketing service. Two senior officers of the Company hold 100% of the equity interest in Chengdu Ctrip. The registered capital of Chengdu Ctrip was RMB500,000,000 as of December 31, 2020.

Qunar Beijing is a domestic company incorporated in Beijing, the PRC. Qunar Beijing holds various licenses for domestic and cross-border business of Qunar. Two senior officers of the Company hold 100% of the equity interest in Qunar Beijing. The registered capital of Qunar Beijing was RMB11,000,000 as of December 31, 2020.

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

As of December 31, 2020, the Company has various agreements with its consolidated VIEs and VIEs' subsidiaries, including loan agreements, technical consulting and services agreements, equity pledge agreements, exclusive option agreements and other operating agreements.

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

***Powers of Attorney:*** Each of the shareholders of the Company's consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, signed an irrevocable power of attorney to appoint Ctrip Travel Network or Ctrip Travel Information, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of the applicable consolidated affiliated Chinese entities. Each such power of attorney will remain effective as long as the applicable consolidated affiliated Chinese entity exists, and such shareholders of the applicable consolidated affiliated Chinese entities are not entitled to terminate or amend the terms of the power of attorneys without prior written consent from us.

As of the date of this financial statements, each of the shareholders of Qunar Beijing, Hui Cao and Hui Wang, also signed an irrevocable power of attorney authorizing an appointee, to exercise, in a manner approved by Qunar, on such shareholder's behalf the full shareholder rights pursuant to applicable laws and Qunar Beijing's articles of association, including without limitation full voting rights and the right to sell or transfer any or all of such shareholder's equity interest in Qunar Beijing. Each such power of attorney is effective until such time as such relevant shareholder ceases to hold any equity interest in Qunar Beijing. The terms of the power of attorney with respect to Qunar Beijing are substantially similar to the terms described in the foregoing paragraph.

***Technical Consulting and Services Agreements:*** Ctrip Travel Information and Ctrip Travel Network, each a wholly owned PRC subsidiary of the Company, provide the Company's consolidated

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Details of certain key agreements with the VIEs are as follows—continued:***

affiliated Chinese entities, except for Qunar Beijing, with technical consulting and related services and staff training and information services on an exclusive basis. The Company also maintain its network platforms. In consideration for the Company’s services, the Company’s consolidated affiliated Chinese entities agree to pay the Company service fees as calculated in such manner as determined by the Company from time to time based on the nature of service, which may be adjusted periodically. Although the service fees are typically determined based on the number of transportation tickets sold, given the fact that the nominee shareholders of such consolidated affiliated Chinese entities have irrevocably appointed the employees of the Company’s subsidiaries to vote on their behalf on all matters they are entitled to vote on, the Company has the right to determine the level of service fees paid and therefore receive substantially all of the economic benefits of the Company’s consolidated affiliated Chinese entities in the form of service fees. Ctrip Travel Information or Ctrip Travel Network, as appropriate, will exclusively own any intellectual property rights arising from the performance of this agreement. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless the Company disapprove the extension. The Company retains the exclusive right to terminate the agreements at any time by delivering a 30-day advance written notice to the applicable consolidated affiliate Chinese entity.

As of the date of this financial statements, pursuant to the restated exclusive technical consulting and services agreement between Qunar Beijing and Qunar Software, Qunar Software provides Qunar Beijing with technical, marketing and management consulting services on an exclusive basis in exchange for service fee paid by Qunar Beijing based on a set formula defined in the agreement subject to adjustment by Qunar Software at its sole discretion. This agreement will remain in effect until terminated unilaterally by Qunar Software or mutually. The terms of this agreement are otherwise substantially similar to the terms described in the foregoing paragraph.

***Share Pledge Agreements:*** The shareholders of the Company’s consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, have pledged their respective equity interests in the applicable consolidated affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by such consolidated affiliated Chinese entities of the technical and consulting services fees to us under the technical consulting and services agreements, repayment of the business loan under the loan agreements and performance of obligations under the exclusive option agreements, each agreement as described herein. In the event any of such consolidated affiliated Chinese entity breaches any of its obligations or any shareholder of such consolidated affiliated Chinese entities breaches his or her obligations, as the case may be, under these agreements, the Company is entitled to enforce the equity pledge right and sell or otherwise dispose of the pledged equity interests after the pledge is registered with the relevant local branch of State Administration for Market Regulation (“SAMR”) and retain the proceeds from such sale or require any of them to transfer his or her equity interest without consideration to the PRC citizen(s) designated by us. These share pledge agreements are effective until two years after the pledgor and the applicable consolidated affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Details of certain key agreements with the VIEs are as follows—continued:***

As of the date of this financial statements, pursuant to the equity interest pledge agreement among Qunar Software, Hui Cao and Hui Wang, Hui Cao and Hui Wang have pledged their equity interests in Qunar Beijing along with all rights, titles and interests to Qunar Software as guarantee for the performance of all obligations under the relevant contractual arrangements mentioned herein. After the pledge is registered with the relevant local branch of SAMR, Qunar Software may enforce this pledge upon the occurrence of a settlement event or as required by the PRC law. The pledge, along with this agreement, will be effective upon registration with the local branch of the SAMR, and will expire when all obligations under the relevant contractual arrangements have been satisfied or when each of Hui Cao and Hui Wang completes a transfer of equity interest and ceases to hold any equity interest in Qunar Beijing. In enforcing the pledge, Qunar Software is entitled to dispose of the pledge and have priority in receiving payment from proceeds from the auction or sale of all or part of the pledge until the obligations are settled. The terms of this agreement are otherwise substantially similar to the terms described in the foregoing paragraph.

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

As of the date of this financial statements, pursuant to the loan agreement among Qunar Software, Hui Cao and Hui Wang, the loans extended by Qunar Software to each of Hui Cao and Hui Wang are only repayable by a transfer of such borrower’s equity interest in Qunar Beijing to Qunar Software or its designated party, in proportion to the amount of the loan to be repaid. This loan agreement will continue in effect indefinitely until such time when (i) the borrowers receive a repayment notice from Qunar Software and fully repay the loans, or (ii) an event of default (as defined therein) occurs unless Qunar Software sends a notice indicating otherwise within 15 calendar days after it is aware of such event. The terms of this loan agreement are otherwise substantially similar to the terms described in the foregoing paragraphs.

***Exclusive Option Agreements:*** As consideration for the Company’s entering into the loan agreements described above, each of the shareholders of the Company’s consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, has granted us an exclusive, irrevocable option to

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Details of certain key agreements with the VIEs are as follows—continued:***

purchase, or designate one or more person(s) at the Company’s discretion to purchase, all of its equity interests in the applicable consolidated affiliated Chinese entities at any time the Company desires, subject to compliance with the applicable PRC laws and regulations. The Company may exercise the option by issuing a written notice to the shareholder of relevant consolidated affiliated Chinese entity. The purchase price shall be equal to the contribution actually made by the shareholder for the relevant equity interest. Therefore, if the Company exercises these options, the Company may choose to cancel the outstanding loans the Company extended to the shareholders of such consolidated affiliated Chinese entities pursuant to the loan agreements as the loans were used solely for equity contribution purposes. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless the Company disapproves the extension. The Company retains the exclusive right to terminate the agreements at any time by delivering a written notice to the shareholder of applicable consolidated affiliate Chinese entity.

Hui Cao and Hui Wang also entered into an equity option agreement with Qunar, Qunar Software and Qunar Beijing. This equity option agreement contains arrangements that are similar to that as described in the foregoing paragraph. This agreement will remain effective with respect to each of Qunar Beijing’s shareholders until all of the equity interest has been transferred or Qunar and Qunar Software terminates the agreement unilaterally with 30 days’ prior written notice.

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

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

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

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Risks in relation to contractual arrangements between the Company’s PRC subsidiaries and its affiliated Chinese entities—continued:***

to the opinion of its PRC legal counsel with respect to the enforceability of the contractual arrangements.

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, the Company cannot be assured that the PRC government authorities will not ultimately take a view that is contrary to the Company’s belief and the opinion of its PRC legal counsel. In March 2019, the draft Foreign Investment Law was submitted to the National People’s Congress for review and was approved on March 15, 2019, which came into effect from January 1, 2020. The new Foreign Investment Law of the PRC repealed simultaneously the Wholly Foreign-owned Enterprise Law of the PRC, Sino-foreign Equity Joint Venture Law of the PRC and Sino-foreign Cooperative Joint Ventures Law of the PRC. Therefore, the general regulations for companies’ set up and operation in the PRC including the foreign-invested companies shall comply with the Company Law of the PRC unless provided in the PRC Foreign Investment Laws. In December 2019, the Implementing Regulation of the Foreign Investment Law has been promulgated by the State Council which has come into force as of January 1, 2020. The Foreign Investment Law does not touch upon the relevant concepts and regulatory regimes that were historically suggested for the regulation of VIE structures, and thus this regulatory topic remains unclear under the Foreign Investment Law. Since the Foreign Investment Law is new, there are substantial uncertainties exist with respect to its implementation and interpretation and it is also possible that the VIE entities will be deemed as foreign invested enterprises and be subject to restrictions in the future. Such restrictions may cause interruptions to the Company’s operations, products and services and may incur additional compliance cost, which may in turn materially and adversely affect the Company’s business, financial condition and results of operations.

***Summary financial information of the Company’s VIEs in the consolidated financial statements***

Pursuant to the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs, and can have assets transferred freely out of the VIEs without any restrictions. Therefore, the Company considers that there is no asset of a consolidated VIE that can be used only to settle obligations of the VIE, except for registered capital and PRC statutory reserves of the VIEs amounting to a total of RMB2.0 billion as of December 31, 2020. As all the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs.



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Summary financial information of the Company's VIEs in the consolidated financial statements—continued***

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

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB (in millions)		
<b>Total assets</b> .....	26,574	33,394	32,084
Less: Inter-company receivables .....	(5,228)	(8,235)	(8,690)
Total assets excluding inter-company receivables .....	21,346	25,159	23,394
<b>Total liabilities</b> .....	23,405	29,594	28,560
Less: Inter-company payables .....	(14,117)	(18,689)	(18,555)
Total liabilities excluding inter-company payables .....	9,288	10,905	10,005

As of December 31, 2018, 2019 and 2020, the VIEs' assets mainly consisted of cash and cash equivalents (December 31, 2018: RMB7.2 billion, December 31, 2019: RMB6.9 billion, December 31, 2020: RMB7.0 billion), short-term investments (December 31, 2018: RMB4.3 billion, December 31, 2019: RMB4.0 billion, December 31, 2020: RMB2.5 billion), accounts receivable (December 31, 2018: RMB2.9 billion, December 31, 2019: RMB4.3 billion, December 31, 2020: RMB2.7 billion), prepayments and other current assets (December 31, 2018: RMB3.6 billion, December 31, 2019: RMB5.1 billion, December 31, 2020: RMB3.5 billion) and investments (non-current) (December 31, 2018: RMB2.3 billion, December 31, 2019: RMB3.7 billion, December 31, 2020: RMB5.9 billion). The inter-company receivables of RMB5.2 billion, RMB8.2 billion and RMB8.7 billion as of December 31, 2018, 2019 and 2020 mainly represented the receivables by VIEs from the Company's wholly-owned subsidiaries for treasury cash management purpose.

As of December 31, 2018, 2019 and 2020, the VIEs' liabilities mainly consisted of accounts payable (December 31, 2018: RMB3.4 billion, December 31, 2019: RMB3.7 billion, December 31, 2020: RMB1.8 billion), other payables and accruals (December 31, 2018: RMB1.7 billion, December 31, 2019: RMB1.7 billion, December 31, 2020: RMB1.9 billion), advances from customers (December 31, 2018: RMB2.3 billion, December 31, 2019: RMB3.2 billion, December 31, 2020: RMB1.7 billion) and short-term debt (December 31, 2018: RMB1.2 billion, December 31, 2019: RMB365 million, December 31, 2020: RMB3.7 billion). The inter-company payables of RMB14.1 billion, RMB18.7 billion and RMB18.6 billion as of December 31, 2018, 2019 and 2020 mainly represented payables by VIEs to the Company's wholly-owned subsidiaries for treasury cash management purpose and the service fees payable to the WFOEs (Ctrip Travel Information, Ctrip Travel Network, and Qunar Software each a wholly owned PRC subsidiary of the Company's, "WFOEs") under the technical consulting and services agreements, which are operational in nature from the VIEs and their subsidiaries' perspectives and have been settled after each year end, respectively.



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Summary financial information of the Company's VIEs in the consolidated financial statements—continued***

The following table set forth the summary of results of operations of the VIEs and their subsidiaries of the Company (RMB in millions):

	For the year ended December 31,		
	2018	2019	2020
<b>Net revenues</b> .....	8,357	9,572	6,513
<b>Cost of revenues</b> .....	2,983	3,627	2,471
<b>Net income/(loss)</b> .....	170	89	(254)

As aforementioned, the VIEs mainly conduct transportation ticketing, advertising and financial service businesses. Net revenues from VIEs accounted for around 36% of the Company's net revenues for the year ended December 31, 2020.

The VIEs' net income before the deduction of the inter-company service fee charges were RMB1.5 billion, RMB1.7 billion and RMB1.5 billion for the years ended December 31, 2018, 2019 and 2020, respectively.

The WFOEs are the sole and exclusive provider of technical consulting and related services and information services for the VIEs. Pursuant to the Exclusive Technical Consulting and Service Agreements, the VIEs pay service fees to the WFOEs based on the VIEs' actual operating results. The WFOEs are entitled to receive substantially all of the net income and transfer a majority of the economic benefits in the form of service fees from the VIEs and VIEs' subsidiaries to the WFOEs.

The amount of service fees paid by all the VIEs as a percentage of the VIEs' total net income were 89%, 95% and 117% for the years ended December 31, 2018, 2019 and 2020, respectively.

The following tables set forth the summary of cash flow activities of the VIEs and their subsidiaries of the Company (RMB in millions):

	For the year ended December 31,		
	2018	2019	2020
<b>Net cash provided by/ (used in) operating activities</b> .....	591	(517)	(597)
<b>Net cash used in investing activities</b> .....	—	—	—
<b>Net cash provided by financing activities</b> .....	—	—	—

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

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Foreign currencies*

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

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

Assets and liabilities of the group companies are translated from their respective functional currencies to the reporting currency at the exchange rates at the balance sheet dates, equity accounts are translated at historical exchange rates and revenues and expenses are translated at the average exchange rates in effect during the reporting periods. The exchange differences for the translation of group companies with non-RMB functional currency into the RMB are included in foreign currency translation adjustments, which is a separate component of shareholders’ equity on the consolidated financial statements. The foreign currency translation adjustments are not subject to tax.

Translations of amounts from RMB into US\$ are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.525 on December 31, 2020, representing the certificated exchange rate published by the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2020, or at any other rate.

*Cash and cash equivalents*

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

*Restricted cash*

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

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Short-term investments***

Short-term investments represent i) held-to-maturity investments which are due in one year and stated at amortized cost; ii) the investments issued by commercial banks or other financial institutions with a variable interest rate indexed to the performance of underlying assets within one year, and iii) foreign currency forward contracts which are short-term. These investments are stated at fair value. Changes in the fair value are reflected in the consolidated statements of income/(loss) and comprehensive income/(loss).

***Derivative Instruments***

Derivative instruments are carried at fair value. The fair values of the derivative financial instruments generally represent the estimated amounts expect to receive or pay upon termination of the contracts as of the reporting date.

As of December 31, 2019, the Company’s derivative instruments primarily consisted of foreign currency forward contracts which are used to economically hedge certain foreign denominated liabilities and reduce, to the extent practicable, the potential exposure to the changes that exchange rates might have on the Company’s earnings, cash flows and financial position. As the derivative instruments do not qualify for hedge accounting treatment, changes in the fair value are reflected in Other income/(expense) of the consolidated statements of income/(loss) and comprehensive income/(loss).

In 2020, the Company entered into interest rate swap contracts to swap floating interest payments related to certain borrowings for fixed interest payments to hedge the interest rate risk associated with certain forecasted payments and obligations. As the abovementioned interest rate derivatives are designated as cash flow hedges and the hedge is highly effective, all changes in the fair value of the derivative hedging instruments, amounted to RMB11 million, are recorded in other comprehensive income/(loss)(“OCI”) as unrealized securities holding losses.

As of December 31, 2018, 2019 and 2020, and for the years ended December 31, 2018, 2019 and 2020, the balance of the derivative instruments and the total amount of fair value changes are not material.

***Installment credit and nonrecourse securitization debt***

The Company provides installment credit solutions to users with the terms generally below one year. Such amounts are recorded at the outstanding principal amount less allowance for credit losses, and include accrued interest receivable and presented in receivable related to financial services in Note 3.

Since 2018, the Company entered into asset backed securitization arrangements with third-party financial institutions and set up a securitization vehicle as servicer to issue the revolving debt securities to third party investors, which are collateralized by the transferred assets. The Company consolidated the servicer of the securitized debt since economic interests are retained in the form of subordinated interests and it acts as the servicer of securitization vehicle. The proceeds from the issuance of debt securities are reported as securitization debt. The securities are repaid as collections on the underlying

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Installment credit and nonrecourse securitization debt—continued***

collateralized assets occur and the amounts are included in “short-term debt and current portion of long-term debt” (Note 12) or “long-term debt” (Note 17) according to the contractual maturities of the debt securities.

As of December 31, 2018, 2019 and 2020, the collateralized receivable related to financial services were RMB0.7 billion, RMB1.2 billion and RMB0.7 billion, respectively, and the non-collateralized receivable related to financial services were RMB0.8 billion, RMB1.6 billion and RMB1.9 billion, respectively.

As of December 31, 2018, 2019 and 2020, the balance of allowance for expected credit losses for the receivable related to financial services amounted to RMB43 million, RMB69 million and RMB112 million, respectively. The Company recognized the interest income from the receivable related to financial services in Revenue—Others. The interest expenses in relation to the nonrecourse securitization debt were recognized in the cost of revenue. For the years ended December 31, 2018, 2019 and 2020, the interest incomes and the interest expenses were not material.

The gross amount of the credits provided to users is presented in the investing section of the cash flow statement unless the term of the receivables is three month or less, in which case it is presented on a net basis by deducting the repayment from the users.

***Land use rights***

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

***Property, equipment and software***

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

Building . . . . .	30-40 years
Leasehold improvements . . . . .	Lesser of the term of the lease or the estimated useful lives of the assets
Website-related equipment . . . . .	3-5 years
Computer equipment . . . . .	3-5 years
Furniture and fixtures . . . . .	3-5 years
Software . . . . .	3-5 years

The Company recognizes the disposal of Property, equipment and software in general and administrative expenses.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Investments*

The Company’s investments include equity method investments, equity securities without readily determinable fair values, equity securities with readily determinable fair values, held to maturity debt securities, and available-for-sale debt securities.

The Company applies equity method in accounting for its investments in entities in which the Company has the ability to exercise significant influence but does not have control and the investments are in either common stock or in-substance common stock. Unrealized gains on transactions between the Company and an affiliated entity are eliminated to the extent of the Company’s interest in the affiliated entity, unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Equity securities without readily determinable fair values are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes.

Equity securities with readily determinable fair values are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded through the income statement.

On January 1, 2018, the Company adopted financial instruments accounting standard ASU No. 2016-01, which requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. The standard also required the Company to reclassify the accumulated unrealized gain or loss of the equity investments measured at fair value that were previously recognized in other comprehensive income to retained earnings on the date of the adoption. Upon the adoption, the Company reclassified approximately RMB6.1 billion of accumulated other comprehensive income, reflective of the net unrealized gain for the equity securities with readily determinable fair values that existed as of January 1, 2018, into retained earnings.

Debt securities that the company has positive intent and ability to hold to maturity are classified as held to maturity debt securities and are stated at amortized cost.

The Company has classified its investments in debt securities, other than the held to maturity debt securities, as available-for-sale securities. Available-for-sale debt securities are reported at estimated fair value (Note 7) with the aggregate unrealized gains and losses, net of tax, reflected in “Accumulated other comprehensive loss” in the consolidated balance sheets. If the amortized cost basis of an available-for-sale security exceeds its fair value and if the Company has the intention to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of the amortized cost basis, an impairment is recognized in the consolidated statements of operations. If the Company does not have the intention to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of the amortized cost basis and the Company determines that the decline in fair value below the amortized cost basis of an available-for-sale security is entirely or partially due to credit-related factors, the credit loss is

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Investments—continued***

measured and recognized as an allowance for credit losses along with the operating expense in the consolidated statements of operations. The allowance is measured as the amount by which the debt security's amortized cost basis exceeds the Company's best estimate of the present value of cash flows expected to be collected.

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

***Fair value measurement of financial instruments***

Financial assets and liabilities of the Company primarily comprise of cash and cash equivalents, restricted cash, time deposits, financial products, derivative instruments, accounts receivable, due from related parties, available-for-sale debt investments, equity securities, accounts payable, due to related parties, advances from end users, short-term bank borrowings, other short-term liabilities and long-term debts. As of December 31, 2018, 2019 and 2020, except for derivative instruments, long-term debt, equity securities and available-for-sale debt investments, carrying values of these financial instruments approximated their fair values because of their generally short maturities. The Company reports derivative instruments, equity securities and available-for-sale debt investments at fair value at each balance sheet date and changes in fair value are reflected in the statements of income and comprehensive income. The Company disclosed the fair value of its long-term debts based on Level 2 inputs in Note 17.

The Company measures its financial assets and liabilities using inputs from the following three levels of the fair value hierarchy. The three levels are as follows:

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

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

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

***Business combination***

U.S. GAAP requires that all business combinations not involving entities or businesses under common control be accounted for under the acquisition method. The Company applies ASC 805, “Business combinations”, the cost of an acquisition is measured as the aggregate of the fair values at



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Business combination—continued***

the date of exchange of the assets given, liabilities incurred, and equity instruments issued. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statements of income/(loss) and comprehensive income/(loss).

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. The Company's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Any changes to provisional amounts identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined.

***Acquisitions***

During the periods presented, the Company completed several transactions to acquire controlling shares to enrich its products and to expand business. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities, based in part on independent appraisal reports as well as its experience with purchasing similar assets and liabilities in similar industries. Major assumptions used in determining the fair value of these acquired assets include future growth rates and weighted average cost of capital. The amount excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recorded as goodwill. The major acquisitions during the periods presented are as follows:

In April 2020, the Company consummated the acquisition of 100% equity interest of an online travel agency with the total cash consideration of EUR100 million (RMB772 million). The net liability assumed based on their fair values was RMB304 million, including cash acquired with amount of RMB41 million. The newly identifiable intangible assets were RMB72 million which primarily consist of tradename and supplier relationship. The tradename is assessed to be indefinite-lived intangible assets. The fair values of the supplier relationship with amount of RMB28 million is amortized over 10 years on a straight-line basis. The deferred tax liability of RMB16 million as recognized in associated with the identifiable intangible assets. The goodwill recognized for the acquisition was RMB1.0 billion which primarily made up of the expected synergies from combining operations of the acquiree and the acquirer, which do not qualify for separate recognition.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Acquisitions—continued*

In September 2020, the Company consummated the acquisition of 100% equity interest of an online payment agency with the total cash consideration of RMB 423 million. The net assets acquired based on their fair values was RMB61 million, including cash acquired with amount of RMB113 million. The newly identifiable intangible asset was RMB324 million which primarily consist of a payment business license which is amortized over fifteen years on a straight-line basis. The deferred tax liability of RMB81 million as recognized in associated with the identifiable intangible assets. The goodwill recognized for the acquisition was RMB119 million which is primarily attributable to the expected synergies from the online payment processing services that will complement the Company’s existing services offered through its online platforms.

In November 2019, the Company obtained control of an online travel agency company in which the Company previously had held 51% equity interest with substantive participating rights being held by the non-controlling shareholder. The Company obtained control of the acquiree when the non-controlling shareholder agreed to remove these substantive participating rights. The deemed consideration was the previous held 51% equity interest with the fair value of RMB259 million. The net assets assumed based on their fair values was RMB115 million, including cash acquired with amount of RMB11 million. The fair value of non-controlling interest was measured as RMB249 million, taking into account a non-controlling discount. The goodwill recognized for the acquisition was RMB393 million which is primarily reflects the expected synergies. The Company also recognized a gain from the re-measurement of its previously held equity interest to the fair value with amount of RMB196 million and reported in other income/(expense) (Note 2).

In May 2018, the Company consummated a step acquisition by acquiring substantially all the remaining equity interest of an offline travel agency company in which the Company previously held approximately 48% equity interest. The total purchase consideration was RMB1.1 billion which included the cash consideration of RMB198 million, the fair value of the previously held equity interest of RMB543 million and equity interest representing a 1.9% non-controlling interest of one of the Company’s subsidiaries with the fair value of RMB399 million which is determined on Level 3 measures. The Company recognized a gain from the re-measurement of its previously held equity interest to the fair value with amount of RMB249 million and reported in other income/(expense) (Note 2). The Company recognized the non-controlling interest of the equity interest disposed at the book value of the proportionate shares of the net assets of the subsidiary with amount of RMB4 million and the difference between the fair value of the non-controlling interest with the book value of RMB395 million recorded as additional paid-in capital.

The net liability assumed based on their fair values was RMB212 million, including cash acquired with amount of RMB482 million. The fair value of non-controlling interest amounting to RMB15 million was measured based on the purchase price, taking into account a discount reflective of the non-controlling nature of the interest. The newly identifiable intangible assets were RMB269 million which primarily consist of brand name which is amortized over 10 years on a straight-line basis. The deferred tax liability of RMB67 million as recognized in associated with the identifiable intangible assets. The goodwill recognized for the acquisition was RMB1.2 billion which is

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Acquisitions—continued*

primarily made up of the expected synergies from combining operations of the acquiree and the acquirer, which do not qualify for separate recognition.

Pro forma results of operations for these acquisitions have not been presented because they are not material to the consolidated income statements for the years ended December 31, 2018, 2019 and 2020, either individually or in aggregate. Other immaterial acquisitions in 2018, 2019 and 2020 with total consideration of RMB553 million, RMB17 million and nil respectively resulted in goodwill increase of RMB621 million, nil and nil respectively, and intangible assets increase of RMB118 million, nil and nil respectively.

*Goodwill and other intangible assets*

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

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

Starting in 2020, the Company adopted the FASB issued ASU 2017-04: Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. It is more likely that, by adopting simplified measurement which eliminates the Step 2 from goodwill impairment test, an entity with the triggering event for goodwill impairment will recognize more goodwill impairment than it would do under the old model.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Goodwill and other intangible assets—continued***

As of December 31, 2020, there was no event or any circumstance that the Company identified, which indicated that the fair value of the Company’s reporting unit was substantially lower than the respective carrying value. There was no impairment of goodwill during the years ended December 31, 2018, 2019 and 2020. Each quarter the Company reviews the events and circumstances to determine if goodwill impairment may be indicated.

Separately identifiable intangible assets that have determinable lives continue to be amortized and consist primarily of non-compete agreements, customer list, supplier relationship, technology, business relationship and payment business license as of December 31, 2018, 2019 and 2020. The Company amortizes intangible assets on a straight-line basis over their estimated useful lives, which is three to fifteen years. The estimated life of amortized intangibles is reassessed if circumstances occur that indicate the life has changed. Other intangible assets that have indefinite useful life primarily include trademark and domain names. The Company evaluates indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment. The Company estimates total fair value of the reporting unit using discounted cash flow analysis, and makes assumptions regarding future revenue, gross margins, working capital levels, investments in new products, capital spending, tax, cash flows, and the terminal value of the reporting unit.

The Company reviews intangible assets with indefinite lives annually for impairment or earlier, if an indication of impairment exists.

No impairment on other intangible assets was recognized for the years ended December 31, 2018, 2019 and 2020, respectively.

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

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

***Accrued liability for rewards program***

The Company’s end users participate in a loyalty points program. The points awarded from services can be redeemed for cash or used to purchase gifts on the Company’s website and mobile platforms.

The estimated incremental costs of the loyalty points program are recognized as sales and marketing expense, or as reduction of the revenue, depending on whether it can be redeemed to gifts or

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Accrued liability for rewards program—continued*

redeemed for cash, and accrued for as a current liability. As members redeem awards or their entitlements expire, the accrued liability is reduced correspondingly. As of December 31, 2018, 2019 and 2020, the Company’s accrued liability for its rewards program amounted to RMB528 million, RMB478 million and RMB478 million, respectively, based on the estimated liabilities under the rewards program. In 2018, 2019 and 2020, the expenses recognized for the rewards program were immaterial.

*Deferred revenue*

The Company has a coupon program, through which the Company provides coupons for end users who book selected hotels online through website. The end users who use the coupons receive credits in their virtual cash accounts upon check-out from the hotels and reviews for hotels submitted. The end users may redeem the amount of credits in their virtual cash account in cash or voucher for their future bookings on the Company’s website and mobile platforms. The Company accounts for the estimated cost of future usage of coupons as reduction of the revenue.

*Revenue recognition*

On January 1, 2018, the Company adopted revenue guidance ASC Topic 606, “Revenue from Contracts with Customers” (“ASC 606”). The standard did not change the presentation of the Company’s revenues, which continues to be substantially reported on a net basis as the travel supplier is primarily responsible for providing the underlying travel services and the Company does not control the service provided by the travel supplier to the traveler. Revenues are recognized at gross amounts for merchant business where the Company undertakes substantive inventory risks by pre-purchasing inventories. However, the timing of revenue recognition for certain revenue streams is changed under the standard.

Revenue from accommodation reservation services, transportation ticketing services, packaged tours, and corporate travel are substantially recognized at a point of time when the performance obligations that are satisfied. Revenue from other businesses comprise primarily of online advertising services and financial services, which are recognized ratably over the time.

*Accommodation reservation services*

The Company receives commissions from travel suppliers for hotel room reservations through the Company’s transaction and service platform. Commissions from hotel reservation services rendered are recognized when the reservation becomes non-cancellable which is the point considered when the Company completes its performance obligation in accommodation reservation services which include reservation and various post-booking services. Contracts with certain travel suppliers contain incentive commissions typically subject to achieving specific performance targets. The incentive commissions are considered as variable consideration and are estimated and recognized to the extent that the Company is entitled to such incentive commissions. The Company generally receives incentive commissions from monthly arrangements with hotels based on the number of hotel room reservations

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Revenue recognition—continued******Accommodation reservation services—continued***

where end users have completed their stay. The Company presents revenues from such transactions on a net basis in the statements of income and comprehensive income as the Company, generally, does not control the service provided by the travel supplier to the traveler and has no obligations for cancelled hotel reservations. The amount of accommodation reservation services revenues recognized at gross basis were immaterial during the years ended December 31, 2018, 2019 and 2020, respectively.

***Transportation ticketing services***

Transportation ticketing services revenues mainly represent revenues from tickets reservations and other related services. The Company receives commissions from travel suppliers for ticketing services through the Company's transaction and service platform under various services agreements. Commissions from ticketing services rendered are recognized after tickets are issued as this is when the Company's performance obligation is satisfied. The Company presents revenues from such transactions on a net basis in the statements of income as the Company, generally, does not control the service provided by the travel supplier to the traveler and has no obligations for cancelled airline ticket reservations. Loss due to obligations for cancelled ticket reservations is minimal in the past. The amount of transportation ticketing services revenues recognized at gross basis were immaterial during the years ended December 31, 2018, 2019 and 2020, respectively.

As a result of the COVID-19 pandemic, the Company received a significant volume of the requests for ticketing order cancellations and refunds from its users due to the extended travel restrictions. For the orders of which the commissions were previously recognized in 2019, the Company reversed the commission revenue upon the cancellation in 2020. For the year ended December 31, 2020, the amount of the reversal of commission revenue previously recognized in 2019 is not material.

***Packaged tours***

The Company receives referral fees from travel product providers for packaged-tour products and services through the Company's transaction and service platform. Referral fees are recognized on the departure date of the tours as this is when the Company's performance obligation is satisfied. The Company presents revenues from such transactions on a net basis in the statements of income when the Company does not control the service provided by the travel supplier to the traveler and has no obligations for cancelled packaged-tour products reservations. The Company presents majority of its packaged-tour products and services revenues recognized on a net basis during the years ended December 31, 2018, 2019 and 2020, respectively.

***Corporate travel***

Corporate travel management revenues primarily include commissions from air ticket booking, hotel reservation and packaged-tour services rendered to corporate clients. The Company contracts with corporate clients based on service fee model. Travel reservations are made via on-line and off-line



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Revenue recognition—continued******Corporate travel—continued***

services for air tickets, hotel and package-tour. Revenue is recognized on a net basis after the services are rendered and collections are reasonably assured.

***Other businesses***

Other businesses comprise primarily of online advertising services and financial services.

The Company receives advertising revenues, which principally represent the sale of banners or sponsorship on the website and mobile from customers. Advertising revenues are recognized ratably over the fixed term of the agreement as services are provided. The Company recognizes the revenue from the financial services ratably over the service period.

***Allowance for expected credit losses***

On January 1, 2020, the Company adopted the accounting standards update on the measurement of credit losses, which requires the Company to estimate lifetime expected credit losses upon recognition of the financial assets. The Company adopted the accounting standards update using a modified retrospective approach. Upon adoption of the new standard on January 1, 2020, the Company recorded a net decrease to its retained earnings of RMB83 million, net of tax.

The Company's accounts receivable, prepayments and other current assets (including the receivables of financial services), due from related parties, long-term deposits and prepayments and long-term receivables due from related parties are within the scope of ASC Topic 326. The Company has identified the relevant risk characteristics of its customers and the related receivables and prepayments, which include size, type of the reservation services the Company provides or geographic location of the customer, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Company considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Company's receivables. Additionally, external data and macroeconomic factors are also considered. This is assessed at each quarter based on the Company's specific facts and circumstances.

Significant judgments and assumptions are required to estimate the allowance for expected credit losses on receivables from and prepayments to customers and such assumptions may change in future periods, particularly the assumptions related to the impact of the COVID-19 pandemic on the business prospects and financial condition of customers and the Company's ability to collect the receivable or recover the prepayment. For the year ended December 31, 2020, the Company facilitated and processed significant volume of the reservation cancellation requests from the end users due to the COVID-19 pandemic, causing significant increase of the accounts receivables due from the customers (i.e. the travel suppliers) due to the fact that the Company paid the refunds to the end users on behalf of

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Allowance for expected credit losses—continued*

its customers and expected to be reimbursed by its customers. Given the business disruptions and financial challenges faced by the Company’s customers as driven by the COVID-19 pandemic, the Company has further analyzed the credit risks of related customers with the considerations including the recent credit losses, repayment pattern and business conditions. Such analysis was performed at individual customer’s level or a group of customer’s level, depending on the amount and extent of overdue as well as the risk characteristics of the different customers. As a result of such analysis, the company has increased its allowance for expected credit losses on both balances of the receivables from and prepayments to its customers.

The following table summarized the details of the Company’s allowance for expected credit losses (RMB in millions):

	December 31, 2018	December 31, 2019	December 31, 2020
Balance at beginning of year . . . . .	129	156	256
Cumulative effect of adoption of new accounting standard . . .	—	—	83
Deconsolidation of subsidiaries . . . . .	—	—	(27)
Allowance for credit losses . . . . .	69	191	700
Write-offs . . . . .	(42)	(91)	(213)
Balance at end of year . . . . .	<u>156</u>	<u>256</u>	<u>799</u>

*Cost of revenues*

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

*Product development*

Product development expenses include expenses incurred by the Company to develop the Company’s travel supplier networks as well as to maintain, monitor and manage the Company’s transaction and service platform. The Company recognizes website, software and mobile applications development costs in accordance with ASC 350-50 “Website development costs” and ASC 350-40 “Software—internal use software” respectively, which are not material. The Company expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites and mobile applications or the development of software or mobile applications for internal use and websites content.

*Sales and marketing*

Sales and marketing expenses consist primarily of costs of payroll and related compensation for the Company’s sales and marketing personnel, advertising expenses, and other related marketing and

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Sales and marketing—continued*

promotion expenses. Advertising expenses, amounting to approximately RMB6.0 billion, RMB5.5 billion and RMB1.9 billion for the years ended December 31, 2018, 2019 and 2020 respectively, are charged to the statements of income as incurred.

*Share-based compensation*

Under ASC 718, the Company applied the Black-Scholes valuation model in determining the fair value of options granted. Risk-free interest rates are based on US Treasury yield for the terms consistent with the expected life of award at the time of grant. Expected life is based on historical exercise patterns. Expected dividend yield is determined in view of the Company’s historical dividend payout rate and future business plan. The Company estimates expected volatility at the date of grant based on historical volatilities. The Company recognizes compensation expense on all share-based awards on a straight-line basis over the requisite service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future change in circumstances and facts, if any. If actual forfeitures differ from those estimates, the Company may need to revise those estimates used in subsequent periods.

According to ASC 718, a change in any of the terms or conditions of stock options shall be accounted for as a modification of the plan. Therefore, the Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Company would recognize incremental compensation cost in the period the modification occurs and for unvested options, the Company would recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

According to ASC 718, the Company classifies certain options or similar instruments as liabilities if the entity can be required under any circumstances to settle the option or similar instrument by transferring cash or other assets and such cash settlement is probable. The percentage of the fair value that is accrued as compensation cost at the end of each period shall equal the percentage of the requisite service that has been rendered at that date. Changes in fair value of the liability classified award that occur during the requisite service period shall be recognized as compensation cost over that period. Changes in fair value that occur after the end of the requisite service period are compensation cost of the period in which the changes occur. Any difference between the amount for which a liability award is settled and its fair value at the settlement date as estimated is an adjustment of compensation cost in the period of settlement.

*Share incentive plans*

In October 2007, the Company adopted a 2007 Share Incentive Plan (“2007 Incentive Plan”). As of December 31, 2018, 2019 and 2020, 27,201,848, 19,505,520 and 17,067,456 options (previously 3,400,231, 2,438,190 and 2,133,432 options before the Share Subdivision as detailed in Note 2), and

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Share-based compensation—continued**Share incentive plans—continued*

4,555,976, 3,434,832 and 23,192 RSUs (previously 569,497, 429,354 and 2,899 RSUs before the Share Subdivision as detailed in Note 2), were outstanding under the 2007 Incentive Plan.

In June 2017, the Company adopted a Global Share Incentive Plan (“Global Incentive Plan”). The Company granted 26,294,048, 13,520,720 and 8,921,248 new share options (previously 3,286,756, 1,690,090 and 1,115,156 new share options before the Share Subdivision as detailed in Note 2), and 699,720, 150,000 and 550,888 new RSUs (previously 87,465, 18,750 and 68,861 new RSUs before the Share Subdivision as detailed in Note 2), to employees with 4 year requisite service period for year ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2018, 2019 and 2020, 26,470,216, 34,863,376 and 40,516,400 options (previously 3,308,777, 4,357,922 and 5,064,550 options before the Share Subdivision as detailed in Note 2), and 541,672, 573,936 and 911,320 RSUs (previously 67,709, 71,742 and 113,915 RSUs before the Share Subdivision as detailed in Note 2), were outstanding under the Global Incentive Plan.

In December 2019, the Company completed a one-time modification of share options (the “Modification”), pursuant to which eligible employees were able to exchange every four of the share options that were granted under the 2007 Incentive Plan and the Global Incentive Plan, with the exercise price exceeding US\$40 (after Share Subdivision) per ordinary share, for one new option entitling each eligible grantee to purchase one ordinary share at the exercise price of US\$0.00125 with the original vesting schedules remaining unchanged. As a result of the Modification, 6,686,792 options (previously 835,849 options before the Share Subdivision as detailed in Note 2) were exchanged for 1,672,208 new options (previously 209,026 options before the Share Subdivision as detailed in Note 2). The incremental compensation cost of the Modification was immaterial.

Following the Share Subdivision that became effective on March 18, 2021 as detailed in Note 2, each ordinary share was subdivided into eight ordinary shares and each ADS represents one ordinary share. Prior and subsequent to March 18, 2021, one ordinary share was and will be issuable upon the vesting of one outstanding restricted share or the exercise of one outstanding share option, respectively. Therefore, following the Share Subdivision, each share option and restricted share is subdivided into eight share options and eight restricted shares, the weighted average grant date fair value per restricted share and the weighted average exercise price per share option is diluted by eight times. The number of restricted shares and share options, the weighted average grant date fair value per restricted share and the weighted average exercise price per share option has been retrospectively adjusted for the Share Subdivision in the following tables.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Share-based compensation—continued**Share incentive plans—continued*

The following table summarized the Company’s share option activity under all the option plans (in US\$, except shares):

	<u>Number of Shares (Note i)</u>	<u>Weighted Average Exercise Price (Note i)</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value (in millions)</u>
Outstanding at December 31, 2017	37,686,064	21.10	4.72	867
Granted	26,294,048	25.58		
Exercised	(8,403,056)	11.57		
Forfeited	(1,904,992)	21.45		
Outstanding at December 31, 2018	53,672,064	24.77	5.62	366
Granted	13,520,720	19.87		
Exercised	(5,883,328)	11.39		
Forfeited	(1,925,976)	20.93		
Modified	(6,686,792)	42.36		
Converted from modification	1,672,208	0.00		
Outstanding at December 31, 2019	54,368,896	22.21	5.63	679
Granted	8,921,248	15.88		
Exercised	(3,495,960)	6.96		
Forfeited	(2,210,328)	12.00		
Outstanding at December 31, 2020	57,583,856	22.55	5.16	704
Vested and expect to vest at December 31, 2020	55,019,024	22.66	5.09	667
Exercisable at December 31, 2020	25,523,448	25.46	3.41	250

Note i: The number of shares and weighted average exercise price have been retrospectively adjusted for the Share Subdivision that became effective on March 18, 2021 as detailed in Note 2 and Note 19.

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

The expected-to-vest options are the result of applying the pre-vesting forfeiture rate assumptions of 8% to total unvested options.

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company’s closing stock price of US\$33.73 (after Share Subdivision) (US\$33.73 per ADS) as of December 31, 2020 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2020.

The total intrinsic value of options exercised during the years ended December 31, 2018, 2019 and 2020 were US\$356 million US\$162 million and US\$159 million, respectively.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Share-based compensation—continued**Share incentive plans—continued*

The weighted average fair value of options granted during the years ended December 31, 2018, 2019 and 2020 was US\$18.80 (after Share Subdivision), US\$19.47 (after Share Subdivision) and US\$15.67 (after Share Subdivision) per share, respectively.

As of December 31, 2020, there was US\$441 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options which are expected to be recognized over a weighted average period of 2.6 year. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. Total cash received from the exercise of share options amounted to RMB677 million, RMB467 million and RMB159 million for the years ended December 31, 2018, 2019 and 2020, respectively. The transfer agent was engaged by the Company to collect the exercise proceeds and remitted on a regular basis and these amounts were included in “prepayments and other current assets”.

The Company calculated the estimated fair value of share options on the date of grant using the Black-Scholes pricing model with the following assumptions:

	December 31, 2018	December 31, 2019	December 31, 2020
Risk-free interest rate . . . . .	2.52%-3.09%	1.40%-2.44%	0.21%-1.32%
Expected life (years) . . . . .	5	5	4-5
Expected dividend yield . . . . .	0%	0%	0%
Volatility . . . . .	42%-44%	42%-43%	40%-43%
Fair value of options at grant date per share . . . . .	from US\$11.06 to US\$43.84	from US\$11.37 to US\$32.38	from US\$8.12 to US\$31.99



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Share-based compensation—continued**Share incentive plans—continued*

The following table summarized the Company's RSUs activities under all incentive plans (in US\$, except shares):

	Number of Shares (Note i)	Weighted average grant date fair value(US\$) (Note i)
Restricted shares		
Unvested at December 31, 2017	8,765,776	35.24
Granted	699,720	41.46
Vested	(3,774,184)	32.69
Forfeited	(593,664)	36.76
Unvested at December 31, 2018	5,097,648	37.81
Granted	150,000	37.33
Vested	(954,672)	36.89
Forfeited	(284,208)	38.72
Unvested at December 31, 2019	4,008,768	37.94
Granted	550,888	28.49
Vested	(3,439,944)	37.53
Forfeited	(185,200)	38.42
Unvested at December 31, 2020	934,512	33.79

Note i: The number of restricted shares and weighted average grant date fair value have been retrospectively adjusted for the Share Subdivision that became effective on March 18, 2021 as detailed in Note 2 and Note 19.

As of December 31, 2020, there was US\$21 million unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted shares, which are to be recognized over a weighted average vesting period of 1.7 years. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. The Company determined the fair value of RSUs based on its stock price on the date of grant.

**Leases**

The Company applied ASC 842, Leases, on January 1, 2019 on a modified retrospective basis and has elected not to recast comparative periods. The Company determines if an arrangement is a lease at inception. Operating leases are primarily for office and operation space and are included in right-of-use (“ROU”) assets, other payables and accruals and long-term lease liabilities on its consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. The operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Leases—continued***

lease payments made and excludes lease incentives. The Company’s lease terms may include options to extend or terminate the lease. Renewal options are considered within the ROU assets and lease liability when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For operating leases with a term of one year or less, the Company has elected not to recognize a lease liability or ROU asset on its consolidated balance sheet. Instead, it recognizes the lease payments as expense on a straight-line basis over the lease term. Short-term lease costs are immaterial to its consolidated statements of operations and cash flows. The Company has operating lease agreements with insignificant non-lease components and have elected the practical expedient to combine and account for lease and non-lease components as a single lease component.

Upon the adoption of the new lease standard, on January 1, 2019, the Company recognized operating lease assets of RMB1.0 billion and total operating lease liabilities of RMB980 million (including a current liability of RMB322 million) in the consolidated balance. There was no impact to retained earnings at adoption.

***Taxation***

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are provided using the balance sheet liability method. Under this method, deferred income taxes are recognized for the tax consequences of significant temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in income in the period enacted. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered unlikely that some portion of, or all of, the deferred tax assets will not be realized.

The Company applies ASC 740, “Income Taxes”. It clarifies the accounting for uncertainty in income taxes recognized in the Company’s consolidated financial statements and prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

***Other income/(expense)***

Other income/(expense) consists of financial subsidies and investment income/(loss). Financial subsidies primarily relate to the non-recurring grants by central and local governments of China. The

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Other income/(expense)—continued*

Company recognizes the income when the grants are received and no further conditions need to be met. Components of other income/(expense) were as follows (RMB in millions):

	For the year ended December 31,		
	2018	2019	2020
Gain on deconsolidation of subsidiaries (Note 18) . . . . .	—	161	1,091
Subsidy income . . . . .	469	589	601
(Provision)/settlement of provision and contingent liability balances related to an equity method investment (a) . . . . .	(61)	603	—
Gain from the re-measurement of the previously held equity interest to the fair value in the business acquisition (Note 2) . . . . .	249	196	—
Foreign exchange losses . . . . .	(17)	(378)	(40)
Gain/(loss) on disposal of long-term investments (Note 7) . . . . .	1,181	318	(602)
Fair value changes of equity securities investments and Exchangeable Senior Notes . . . . .	(3,064)	2,334	(612)
Impairments of long-term investments . . . . .	—	(205)	(905)
Others . . . . .	168	12	194
Total . . . . .	<u>(1,075)</u>	<u>3,630</u>	<u>(273)</u>

(a) In 2017, based on the impairment assessment by considering the operating results, market condition and business updates, a provision of RMB536 million for the loan and receivable balance due from Skysea Holding International Ltd (“Skysea”) was provided and a liability of RMB367 million for the contingent payable was recorded in “Other payables and accruals” which reflected the then best estimates of the liability to be assumed by the Company and offset by the proceeds from the net realisable value of Skysea in the event of winding down of its business. In 2019, Skysea completed its winding down of the business and the Company entered into the final settlement with Skysea. According to the final settlement, the Company collected the amount due from Skysea and settled the provision and contingent liability of RMB603 million (recognized as other income), which includes RMB236 million previously made for loan receivable and RMB367 million previously made for contingent payables.

*Statutory reserves*

The Company’s PRC subsidiaries and the VIEs are required to allocate at least 10% of their after-tax profit to the general reserve in accordance with the PRC accounting standards and regulations. The allocation to the general reserve will cease if such reserve has reached to 50% of the registered capital of respective company. Appropriations to discretionary surplus reserve are at the discretion of the board of directors of the VIEs. These reserves can only be used for specific purposes and are not transferable to the Company in form of loans, advances, or cash dividends. There is no such regulation of providing statutory reserve in Hong Kong.

*Dividends*

Dividends are recognized when declared.

PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The Company’s PRC subsidiaries can only distribute dividends after they have met the PRC requirements for appropriation to statutory reserves. Additionally, as the Company does not have any direct ownership in the VIEs, the VIEs cannot directly distribute dividends to the Company. The PRC government imposes control

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Dividends—continued*

over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. As the majority of the Company’s revenues are in RMB, any restrictions on currency exchange may limit the Company’s ability to use revenue generated in RMB to fund the Company’s business activities outside China or to make dividend payments in U.S. dollars. However, the Company believes the restrictions on currency exchange imposed by the PRC foreign exchange regulations and enforced by SAFE do not constitute the “restrictions” under Rule 4-08(e)(3) under Regulation S-X, because such restrictions in substance do not prohibit the Company’s subsidiaries or VIEs from transferring net assets to the Company in the combined forms of loans, advances and cash dividends without the consent of SAFE, provided that certain procedural formalities should be complied with. As of December 31, 2020, the restricted net assets of the Company’s PRC subsidiaries and VIEs not distributable in the form of dividends to the parent as a result of the aforesaid PRC regulations and other restrictions were RMB7.8 billion.

As a result of the aforementioned PRC regulation and the Company’s organizational structure, accumulated profits of the subsidiaries in PRC distributable in the form of dividends to the parent as of December 31, 2018, 2019 and 2020 were RMB15.8 billion, RMB21.9 billion and RMB25.8 billion, respectively. The Company’s PRC subsidiaries and VIEs are able to enter into royalty and trademark license agreements or certain other contractual arrangements at the sole discretion of the Company, for which the compensatory element of the arrangement is deducted from the accumulated profits.

Effective January 1, 2008, current EIT Law imposes a 10% withholding income tax for dividends distributed by foreign invested enterprises to their immediate holding companies outside mainland China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Distributions to holding companies in Hong Kong that satisfy certain requirements specified by PRC tax authorities, for example, will be subject to a 5% withholding tax rate. Furthermore, pursuant to the applicable circular and interpretations of the current EIT Law, dividends from earnings created prior to 2008 but distributed after 2008 are not subject to withholding income tax.

No dividends have been paid or declared by the Company during the years ended December 31, 2018, 2019 and 2020.

*Earnings/(losses) per share*

In accordance with “*Computation of Earnings Per Share*”, basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income attributable to common shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Dilutive ordinary equivalent shares consist of ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method). Vested but unexercised stock options with exercise prices that represent little or no consideration are included in the weighted average shares outstanding in the basic earnings per share calculation.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Earnings/(losses) per share—continued***

If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of basic and diluted EPS shall be adjusted retroactively for all periods presented to reflect that change in capital structure. If changes in common stock resulting from stock dividends, stock splits, or reverse stock splits occur after the close of the period but before the financial statements are issued or are available to be issued, the per-share computations for those and any prior-period financial statements presented shall be based on the new number of shares.

Effective March 18, 2021, each ordinary share was subdivided into eight ordinary shares and each ADS represents one ordinary share. The weighted average number of ordinary shares used for the calculation of basic and diluted earnings per share/ADS for the years ended December 31, 2018, 2019 and 2020 have been retrospectively adjusted.

***Treasury stock***

The share-repurchase programs do not require the Company to acquire a specific number of shares and may be suspended or discontinued at any time.

***Segment reporting***

The Company operates and manages its business as a single segment. Resources are allocated and performance is assessed by the CEO, who is determined to be the Chief Operating Decision Maker (CODM). Since the Company operates in one reportable segment, all financial and product information required can be found in the consolidated financial statements.

The Company primarily generates its revenues from the Greater China Area, for geographical information, please refer to Note 21.

***Recent Accounting Pronouncements***

In December 2019, the FASB issued ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU provides an exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. This update also (1) requires an entity to recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, (2) requires an entity to evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which goodwill was originally recognized for accounting purposes and when it should be considered a separate transaction, and (3) requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The standard is effective for the Company for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued*****Recent Accounting Pronouncements—continued***

In January 2020, the FASB issued Accounting Standards Update No. 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarified that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarified that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The standard is effective for the Company for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”, which provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASU 2020-04 are effective for the Company as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact.

In August 2020, the FASB issued a new accounting update relating to convertible instruments and contracts in an entity’s own equity. For convertible instruments, the accounting update reduces the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current U.S. GAAP. The accounting update amends the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. The accounting update also simplifies the diluted earnings per share calculation in certain areas. For public business entities, the update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Entities are allowed to apply this update on either a full or modified retrospective basis. The Company is in the process of evaluating the impact of the Update on its consolidated financial statements.

***Certain risks and concentration***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments,



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**2. PRINCIPAL ACCOUNTING POLICIES—continued***Certain risks and concentration—continued*

accounts receivable, amounts due from related parties, prepayments and other current assets. As of December 31, 2018, 2019 and 2020, substantially all of the Company’s cash and cash equivalents, restricted cash and short-term investments were held in major financial institutions located in the PRC and in Hong Kong, which management considers to be of high credit quality based on their credit ratings. Accounts receivable are generally unsecured and denominated in RMB, and are derived from revenues earned from operations arising primarily in the PRC.

No individual customer accounted for more than 10% of net revenues for the years ended December 31, 2018, 2019 and 2020. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2018, 2019 and 2020.

*Impact of COVID-19*

As discussed in Note 2, the Company’s businesses, results of operation, financial positions and cash flows are materially and adversely affected by the COVID-19 pandemic, including but not limited to the material adverse impact on the Company’s revenues as result of the travel restrictions as well as significant incremental costs and expenses incurred when facilitating the end users in their cancellations and refund requests. The impacts of COVID-19 may also include slower collection of receivables and additional credit losses and significant downward adjustments or impairment to the Company’s long-term investments and goodwill if the impacts become other than temporary.

Because of the significant uncertainties surrounding the COVID-19 which is still evolving, the extent of the business disruption, including the duration and the related financial impact on subsequent periods cannot be reasonably estimated at this time.

**3. PREPAYMENTS AND OTHER CURRENT ASSETS**

Components of prepayments and other current assets as of December 31, 2018, 2019 and 2020 were as follows (RMB in millions):

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Prepayments and other deposits . . . . .	6,877	8,395	3,765
Receivable related to financial services (Note 2) . . . . .	1,551	2,777	2,462
Prepaid expenses . . . . .	401	406	454
Receivables from financial institutions . . . . .	151	200	516
Others . . . . .	<u>577</u>	<u>932</u>	<u>658</u>
Total . . . . .	<u>9,557</u>	<u>12,710</u>	<u>7,855</u>

**4. LONG-TERM DEPOSITS AND PREPAYMENTS**

The Company’s subsidiaries and VIEs are required to pay certain amounts of deposit to airline companies and hotel suppliers. The subsidiaries and VIEs are also required to pay deposit to local travel bureau as pledge for insurance of traveler’s safety.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**4. LONG-TERM DEPOSITS AND PREPAYMENTS—continued**

Components of long-term deposits and prepayments as of December 31, 2018, 2019 and 2020 were as follows (RMB in millions):

	December 31, 2018	December 31, 2019	December 31, 2020
Deposits paid to airline suppliers .....	243	209	221
Deposits paid to advertising suppliers .....	164	88	54
Deposits paid to hotel suppliers .....	70	36	13
Prepayments for purchase of long lived assets .....	127	517	3
Others .....	164	150	120
Total .....	<u>768</u>	<u>1,000</u>	<u>411</u>

**5. LAND USE RIGHTS**

Land use rights are amortized under straight-line method through the respective period of land rights, which are from 40-50 years. Amortization expense for the years ended December 31, 2018, 2019 and 2020 was approximately RMB3 million, RMB3 million and RMB3 million, respectively. As of December 31, 2018, 2019 and 2020, the net book value was RMB94 million, RMB91 million and RMB88 million respectively.

**6. PROPERTY, EQUIPMENT AND SOFTWARE**

Property, equipment and software and its related accumulated depreciation and amortization as of December 31, 2018, 2019 and 2020 were as follows (RMB in millions):

	December 31, 2018	December 31, 2019	December 31, 2020
Buildings .....	5,418	5,423	5,424
Computer equipment .....	1,145	1,217	1,065
Website-related equipment .....	771	1,187	1,402
Furniture and fixtures .....	292	383	283
Software .....	215	313	665
Leasehold improvements .....	146	188	169
Construction in progress .....	9	11	1
Less: accumulated depreciation and amortization .....	<u>(2,124)</u>	<u>(2,587)</u>	<u>(3,229)</u>
Total net book value .....	<u>5,872</u>	<u>6,135</u>	<u>5,780</u>

Depreciation expense for the years ended December 31, 2018, 2019 and 2020 was RMB546 million, RMB656 million and RMB790 million, respectively.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**7. INVESTMENTS**

The Company’s long-term investments are consisted of the following (RMB in millions):

	December 31, 2018	December 31, 2019	December 31, 2020
Debt investments .....	5,107	17,604	18,213
Equity investments .....	21,767	33,674	29,730
Total .....	<u>26,874</u>	<u>51,278</u>	<u>47,943</u>

**Debt investments***Held to maturity debt securities*

Held to maturity investments were time deposits and financial products in commercial banks with maturities of more than one year with the carrying amount of RMB2.4 billion, RMB15.1 billion and RMB15.4 billion as of December 31, 2018, 2019 and 2020 respectively. As of December 31, 2018, 2019 and 2020, the weighted average maturities periods are 1.5 years, 1.5 years and 1.8 years, respectively.

*Available-for-sale debt investments*

The following table summarizes the Company’s available-for-sale debt investments (RMB in millions):

	December 31, 2018	December 31, 2019	December 31, 2020
Cost, after adjusted with other-than-temporary impairment . . .	2,633	2,693	3,134
Gross Unrealized Gains, including foreign exchange adjustment .....	236	257	173
Gross Unrealized Losses, including foreign exchange adjustment .....	(152)	(402)	(451)
Fair Value .....	<u>2,717</u>	<u>2,548</u>	<u>2,856</u>

For the years ended December 31, 2018, 2019 and 2020, the unrealized securities holding gain/(loss), net of tax of RMB(16) million, RMB5 million and RMB(21) million, respectively, was reported in other comprehensive income/(loss).

At December 31, 2020, the Company did not have the intent or a requirement to sell its available-for-sale debt investments. The Company believes that the decline in fair value of the investment is largely due to changes in market and economic conditions related to the COVID-19 pandemic. The Company also reviewed other available information and at December 31, 2020, expects recovery of the amortized cost basis of the investment.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**7. INVESTMENTS—continued****Equity investments*****Equity securities with readily determinable fair values***

The following table summarizes the Company's equity securities with readily determinable fair values (RMB in millions):

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Cost, after adjusted with other-than-temporary impairment . . .	5,520	4,406	4,765
Gross Unrealized Gains, including foreign exchange adjustment . . . . .	4,320	6,052	6,309
Gross Unrealized Losses, including foreign exchange adjustment . . . . .	<u>(845)</u>	<u>(421)</u>	<u>(839)</u>
Fair Value . . . . .	<u>8,995</u>	<u>10,037</u>	<u>10,235</u>

Equity securities with readily determinable fair values are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded through the income statement.

***Equity securities without readily determinable fair values***

Equity securities without readily determinable fair values and over which the Company has neither significant influence nor control through investments in common stock or in-substance common stock, are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes. The carrying value of equity securities without readily determinable fair values was RMB584 million, RMB596 million and RMB588 million as of December 31, 2018, 2019 and 2020 respectively. There is no fair value changes related to these investments for the years ended December 31, 2018, 2019 and 2020. None of the investments individually is considered as material to the Company's financial position.

For the years ended December 31, 2018, 2019 and 2020, the Company disposed certain equity securities without readily determinable fair values for total consideration of RMB261 million, RMB0 million and RMB30 million, respectively, which results a gain/(loss) of RMB122 million, RMB(1) million and RMB1 million as reported in other income/(expense), respectively. In 2018, the Company also paid certain equity securities without readily determinable fair values with amount of RMB294 million for business acquisition.

For the years ended December 31, 2018, 2019 and 2020, the Company made investments in equity investments without readily determinable fair values with amount of RMB92 million, RMB89 million and RMB94 million, respectively.

***Equity method investments***

In December 2016, in connection of share exchange transaction with BTG Hotels Company (“BTG”) and Homeinns Hotel Company (“Homeinns”), the Company exchanged its previously held

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**7. INVESTMENTS—continued****Equity investments—continued***Equity method investments—continued*

equity interest in Homeinns for 22% equity interest of BTG. The Company applied equity method to account for the investment in BTG on one quarter lag basis. As of December 31, 2018, 2019 and 2020, the carrying value of its investment in BTG were RMB2.7 billion, RMB2.8 billion and RMB2.7 billion respectively, the change of which primarily relates to the equity income or loss recognized.

Tujia used to be a subsidiary of the Company. In 2015, after a private placement of Tujia, the Company lost the control in Tujia. In 2017, Tujia completed a restructure and its offline business was assumed by a newly established company and the Company converted part of its preferred shares investment in Tujia to common shares of Tujia and the newly established company. The Company applies equity method for its common shares investments on Tujia and the newly established company on one quarter lag basis. The preferred shares investment in Tujia was continued to be accounted for as available-for-sale debt security. The Company concluded it does not have control over Tujia whilst it has majority ownership of Tujia since the Company does not have control of the board of directors of Tujia, which makes all the significant decisions of Tujia. As of December 31, 2018 and 2019, the carrying value of the equity method investments were RMB1.2 billion and RMB1.0 billion respectively, the change of which primarily relates to the equity loss recognized. In 2020, Tujia Offline consummated an external financing, together with the new investors, the Company obtained certain preferential rights, including the redemption rights and liquidation preference to its investment which is therefore not considered as in substance of common stock. The investment in Tujia Offline was then accounted for as available-for-sale debt security and initially measured at its fair value of RMB 0.5 billion. The previously held equity method investment of RMB1.0 billion in Tujia Offline was then derecognized with a deemed disposal loss of RMB0.4 billion recognized in other loss. The decrease in the fair value of Tujia was mainly due to the adverse changes in market and economic conditions related to the COVID-19 pandemic. As of December 31, 2018, 2019 and 2020, fair value of the preferred shares were RMB1.6 billion, RMB1.5 billion and RMB1.9 billion, respectively.

In May 2015, the Company acquired approximately 38% share capital of eLong, Inc. (“eLong”) and applied equity method on one quarter lag basis. In May 2016, eLong completed its “going-private” transaction and merger with E-dragon Holdings Limited (“E-dragon”) (“Reorganization”). After the Reorganization, the Company applies equity method for its ordinary shares investment in E-dragon’s on one quarter lag basis and the preferred shares of E-dragon are classified as available-for-sale debt security. In March 2018, E-dragon consummated a merger with Tongcheng Network Technology Co., Ltd. (“LY.com”) with share swap transaction. The Company received an equity method investment in the enlarged group with previously held equity investment and preferred shares of E-dragon be exchanged. The Company recognized the gain of RMB847 million as reported in other income on receipts the shares in the enlarged group in 2018, and recognized the gain of RMB267 million as reported in other income when certain accrued tax related indemnification liability for the other shareholders of LY.com was reversed based on the final settlement in 2019. During the year ended December 31, 2018, the Company acquired additional equity interest with total consideration of RMB1.4 billion. After these transactions, the Company has 27% equity interest in the enlarged group and applied equity method for this investment. As of December 31, 2018, 2019 and 2020, the carrying

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**7. INVESTMENTS—continued****Equity investments—continued***Equity method investments—continued*

value of its equity investment was RMB5.3 billion, RMB5.5 billion and RMB5.5 billion respectively, the change of which primarily relates to the equity income recognized.

The shares of MakeMyTrip Limited (“MakeMyTrip”) are listed in Nasdaq Stock Exchange. The Company used to hold approximately 10% equity interest in MakeMyTrip and accounted for the investment as equity securities with readily determinable fair values. In August 2019, the Company consummated a share exchange transaction with Naspers Limited (“Naspers”), a shareholder of MakeMyTrip, pursuant to which Naspers exchanged certain ordinary shares and Class B convertible ordinary shares of MakeMyTrip for the Company’s newly issued 32,870,648 (after Share Subdivision) ordinary shares. Concurrent with the share exchange, the Company made the investment in a third-party investment entity by contributing certain ordinary shares and Class B shares of MakeMyTrip held by the Company and recorded the investment using equity method. After these transactions, the Company owns ordinary shares and Class B shares of MakeMyTrip, representing approximately 49% of MakeMyTrip’s total voting power with the total consideration of approximately US\$1.2 billion (RMB8.7 billion), which included US\$1.0 billion (RMB6.9 billion) newly issued ordinary shares of the Company and US\$0.2 billion (RMB1.8 billion) of its previously held equity investment. The Company applied equity method to account for the investment in MakeMyTrip on one quarter lag basis. In 2020, as result of adverse impact on the business of MakeMyTrip from the COVID-19 pandemic which is considered as other-than-temporary, the Company provided impairment on its investment on MakeMyTrip with amount of RMB0.7 billion according to its market price. As of December 31, 2019 and 2020, the carrying value of its investment was RMB8.5 billion and RMB5.7 billion.

As of December 31, 2020, equity method investments that are publicly traded with an aggregate carrying amount of RMB14.1 billion have increased in value and the total market value of these investments amounted to RMB20.2 billion.

The Company made some investments in several third party investment funds and accounted for the investments under equity methods on one quarter lag basis. As of December 31, 2018, 2019 and 2020, the carrying value of these investments were RMB1.2 billion, RMB2.5 billion and RMB2.5 billion respectively.

As of December 31, 2018, 2019 and 2020, the carrying value of the rest equity method investments were RMB1.8 billion, RMB2.8 billion and RMB2.4 billion, respectively.



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**7. INVESTMENTS—continued****Equity investments—continued*****Equity method investments—continued***

The Company summarizes the condensed financial information of the Company's equity method investments as a group below in compliance with Rule 4-08 of Regulation S-X (RMB in millions).

	For the year ended December 31,			
	2018	2019	2020	
	equity investments	equity investments	MakeMyTrip	others equity investments
Operating data:				
Revenue	17,429	28,423	1,883	19,704
Gross profit	11,513	17,608	1,377	8,670
Income/(loss) from operations	294	2,590	(991)	(805)
Net income/(loss)	990	970	(2,864)	(1,631)
Net loss attributable to equity method investments	(81)	(440)	(1,459)	(389)
Add: Equity dilution impact	7	93	92	68
Add: Gain from disposal of equity method investments	42	—	—	—
Equity in loss of affiliates	(32)	(347)	(1,367)	(322)
	<b>December 31, 2018</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	
	equity investments	equity investments	MakeMyTrip	other equity investments
Balance sheet data:				
Current assets	26,612	41,940	1,682	35,004
Long-term assets	37,435	45,968	5,121	37,028
Current liabilities	20,404	31,769	1,100	27,914
Long-term liabilities	12,011	10,677	221	9,054
Non-controlling interests	232	342	24	167

For the years ended December 31, 2018, 2019 and 2020, the total cash paid for equity method investments was RMB1.7 billion, RMB1.4 billion and RMB351 million, respectively.

***Impairments***

The Company performs impairment assessment of its investments by considering factors including, but not limited to, current economic and market conditions with the considerations of COVID-19 impacts, as well as the operating performance of the investees. For the years ended December 31, 2018, 2019 and 2020, impairment charges in connection with the available-for-sale debt investment of nil, RMB150 million and nil were recorded. Impairment charges in connection with the equity securities with readily determinable fair value of nil, nil and RMB28 million were recorded. Impairment charges in connection with the equity securities without readily determinable fair value of nil, RMB55 million and RMB37 million were recorded. Impairment charges in connection with the equity method investments of RMB61 million, nil and RMB840 million were recorded. The impairment was recorded in “Other income/(expense)” (Note 2).

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**8. FAIR VALUE MEASUREMENT**

In accordance with ASC 820-10, the Company measures financial products, time deposits, derivative instruments, available-for-sale debt investments and equity securities with readily determinable fair value at fair value on a recurring basis. Equity securities classified within Level 1 are valued using quoted market prices that currently available on a securities exchange registered with the Securities and Exchange Commission (SEC), Shanghai Stock Exchange (SSE) or Hong Kong Stock Exchange (HKEX). Financial products, time deposits and derivative instruments classified within Level 2 are valued using directly or indirectly observable inputs in the market place. The available-for-sale debt investments classified within Level 3 are valued based on a model utilizing unobservable inputs which require significant management judgment and estimation.

The equity securities without readily determinable fair value, equity method investments and certain non-financial assets are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an impairment or observable price adjustment is recognized on the equity securities during the period, the Company classify these assets as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.

Assets measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurement at December 31, 2018 Using			Fair Value at December 31, 2018	
	Level 1 RMB	Level 2 RMB	Level 3 RMB	RMB	US\$
Assets					
Financial products . . . . .	—	33,185	—	33,185	4,827
Time deposits . . . . .	—	5,958	—	5,958	866
Equity securities . . . . .	8,995	—	—	8,995	1,308
Available-for-sale debt investments . . . . .	—	—	2,717	2,717	395
Total Assets . . . . .	<u>8,995</u>	<u>39,143</u>	<u>2,717</u>	<u>50,855</u>	<u>7,396</u>
	Fair Value Measurement at December 31, 2019 Using			Fair Value at December 31, 2019	
	Level 1 RMB	Level 2 RMB	Level 3 RMB	RMB	US\$
Assets					
Financial products . . . . .	—	25,679	—	25,679	3,689
Time deposits . . . . .	—	12,319	—	12,319	1,769
Derivative:					
Foreign currency forward contracts . . . . .	—	116	—	116	17
Equity securities . . . . .	10,037	—	—	10,037	1,442
Available-for-sale debt investments . . . . .	—	—	2,548	2,548	366
Total Assets . . . . .	<u>10,037</u>	<u>38,114</u>	<u>2,548</u>	<u>50,699</u>	<u>7,283</u>
Liabilities					
Derivative:					
Foreign currency forward contracts . . . . .	—	9	—	9	1
Total Liabilities . . . . .	<u>—</u>	<u>9</u>	<u>—</u>	<u>9</u>	<u>1</u>

## II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

## 8. FAIR VALUE MEASUREMENT—continued

	Fair Value Measurement at December 31, 2020 Using			Fair Value at December 31, 2020	
	Level 1 RMB	Level 2 RMB	Level 3 RMB	RMB	US\$
<b>Assets</b>					
Financial products .....	—	22,752	—	22,752	3,487
Time deposits .....	—	17,373	—	17,373	2,663
Derivative: .....					
Foreign currency forward contracts .....	—	51	—	51	8
Equity securities .....	10,235	—	—	10,235	1,569
Available-for-sale debt investments .....	—	—	2,856	2,856	438
Total Assets .....	<u>10,235</u>	<u>40,176</u>	<u>2,856</u>	<u>53,267</u>	<u>8,165</u>
<b>Liabilities</b>					
Derivative: .....					
Foreign currency forward contracts .....	—	46	—	46	7
Interest rate swap contract .....	—	11	—	11	2
Total Liabilities .....	<u>—</u>	<u>57</u>	<u>—</u>	<u>57</u>	<u>9</u>

The roll forward of major Level 3 investments are as follows (RMB in millions):

Fair value of Level 3 investments as at December 31, 2018 .....	<u>2,717</u>
Transfer into Level 3 .....	55
New addition .....	153
Disposal of investments .....	(93)
Effect of exchange rate change .....	25
Other than temporary impairment .....	(205)
The change in fair value of the investments .....	<u>(104)</u>
Fair value of Level 3 investments as at December 31, 2019 .....	<u>2,548</u>
Transfer into Level 3 .....	563
New addition .....	54
Disposal of investments .....	(25)
Effect of exchange rate change .....	(131)
The change in fair value of the investments .....	<u>(153)</u>
Fair value of Level 3 investments as at December 31, 2020 .....	<u>2,856</u>

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**8. FAIR VALUE MEASUREMENT—continued**

Management determined the fair value of these Level 3 investments based on income approach using various unobservable inputs. The determination of the fair value required significant judgement by management with respect to the assumptions and estimates for the revenue growth rate, weighted average cost of capital, lack of marketability discounts, expected volatility and probability in equity allocation. The significant unobservable inputs adopted in the valuation as of December 31, 2020 are as follows:

Unobservable Input	
Revenue growth rate	3%-140%
Weighted average cost of capital	15%-17%
Lack of marketability discount	15%~20%
Expected volatility	40%~53%
Probability	Liquidation scenario: 30%~70%
	Redemption scenario: 30%
	IPO scenario: 30%~40%

**9. GOODWILL**

Goodwill, which is not tax deductible, represents the synergy effects of the business combinations. The changes in the carrying amount of goodwill for the years ended December 31, 2018, 2019 and 2020 were as follows (RMB in millions):

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Balance at beginning of year .....	56,246	58,026	58,308
Acquisition .....	1,786	393	1,138
Disposals and immaterial others .....	(6)	(111)	(93)
Balance at end of year .....	<u>58,026</u>	<u>58,308</u>	<u>59,353</u>

Goodwill resulting from the business combinations has been allocated to the single reporting unit of the Company. For the years ended December 31, 2018, 2019 and 2020, the Company performed a qualitative assessment by evaluating relevant events and circumstances that would affect the Company's single reporting unit and did not note any indicator that it is more likely than not the fair value of the Company's reporting unit is less than its carrying amount, and therefore the Company's goodwill was not impaired. As of December 31, 2020, there had not been any accumulated goodwill impairment provided.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**10. INTANGIBLE ASSETS**

Intangible assets were as follows (RMB in millions):

	December 31, 2018	December 31, 2019	December 31, 2020
Intangible assets to be amortized			
Business Relationship (Representing the relationship with the travel service providers and other business partners) . . . . .	1,858	1,844	1,872
Technology . . . . .	751	633	610
Others . . . . .	518	518	799
Intangible assets not subject to amortization			
Trade mark . . . . .	11,613	11,613	11,776
Others . . . . .	163	159	158
	<u>14,903</u>	<u>14,767</u>	<u>15,215</u>
Less: accumulated amortization			
Intangible assets to be amortized			
Business Relationship . . . . .	(671)	(923)	(1,176)
Technology . . . . .	(353)	(450)	(541)
Others . . . . .	(156)	(221)	(242)
	<u>(1,180)</u>	<u>(1,594)</u>	<u>(1,959)</u>
Net book value			
Intangible assets to be amortized			
Business Relationship . . . . .	1,187	921	696
Technology . . . . .	398	183	69
Others . . . . .	362	297	557
Intangible assets not subject to amortization			
Trade mark . . . . .	11,613	11,613	11,776
Others . . . . .	163	159	158
	<u>13,723</u>	<u>13,173</u>	<u>13,256</u>

Indefinite-lived intangible assets are not subject to legal, regulatory, contractual, competitive, economic or other limitation on their useful lives. The Company evaluates to determine whether events and circumstances continue to support an indefinite useful life in each reporting period.

Finite-lived intangible assets are tested for impairment if impairment indicators arise. The Company amortizes its finite-lived intangible assets over their estimated economic useful lives using the straight-line method:

Business Relationship . . . . .	5-10 years
Technology . . . . .	5-10 years
Others . . . . .	3-15 years

Amortization expense for the years ended December 31, 2018, 2019 and 2020 was approximately RMB433 million, RMB437 million and RMB424 million respectively.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**10. INTANGIBLE ASSETS—continued**

The annual estimated amortization expense for intangible assets subject to amortization for the five succeeding years is as follows (RMB in millions):

	<u>Amortization expense</u>
2021 .....	278
2022 .....	240
2023 .....	186
2024 .....	181
2025 .....	<u>155</u>
	<u>1,040</u>

**11. LEASES**

The Company has operating leases primarily for office and operation space. The Company's operating lease arrangements have remaining lease terms of one to eight years.

Operating lease costs were RMB405 million and RMB416 million for the years ended December 31, 2019 and 2020, respectively.

Supplemental cash flow information related to leases were as follows (RMB in millions):

	<u>For the year ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
Cash paid for amounts included in the measurement of lease liabilities .....	403	415
Right-of-use assets obtained in exchange for operating lease liabilities .....	497	589

As of December 31, 2019 and 2020, supplemental consolidated balance sheet information related to leases were as follows (RMB in millions):

	<u>December 31, 2019</u>	<u>December 31, 2020</u>
<b>Right-of-use assets</b> .....	1,207	987
Current lease liabilities included within Other payables and accruals .....	438	409
Long-term lease liabilities .....	<u>749</u>	<u>618</u>
<b>Total lease liabilities</b> .....	<u>1,187</u>	<u>1,027</u>
Weighted average remaining lease term .....	4 years	3 years
Weighted average discount rate .....	4.2%	4.3%



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**11. LEASES—continued**

Maturities of lease liabilities are as follows (RMB in millions):

	As of December 31, 2020
2021 .....	463
2022 .....	347
2023 .....	197
2024 .....	58
2025 .....	17
Thereafter .....	38
Total operating lease payments .....	1,120
Less: imputed interest .....	(93)
Total .....	<u>1,027</u>

As of December 31, 2019 and 2020, the operating lease arrangements of the Company, primarily for offices premises, that have not yet commenced is immaterial. For the years ended December 31, 2019 and 2020, the variable lease costs, short-term lease costs and sub-lease income are immaterial.

For the year ended December 31, 2018, the Company recognized lease expense of RMB502 million under ASC 840.

**12. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB (in millions)		
Short-term bank borrowings and current portion of long-term loan .....	25,090	21,118	26,756
Securitization debt .....	608	—	384
2020 Notes (Note 17) .....	—	4,873	—
2022 Notes (Note 17) .....	6,703	—	—
2025 Notes (Note 17) .....	—	2,785	—
2019 Booking Notes (Note 17) .....	3,438	—	—
2020 Booking Notes (Note 17) .....	—	1,740	—
2022 Booking Notes (Note 17) .....	172	—	—
2025 Booking and Hillhouse Notes (Note 17) .....	—	—	6,525
Total .....	<u>36,011</u>	<u>30,516</u>	<u>33,665</u>

As of December 31, 2020, the Company obtained short-term bank borrowings RMB26.8 billion (US\$4.1 billion) in aggregate, of which RMB7.0 billion (US\$1.1 billion) were collateralized by short-term and long-term investments of RMB7.0 billion (US\$1.1 billion). The weighted average interest rate for the outstanding borrowings was approximately 2.89%.

The short-term borrowings contain covenants including, among others, limitation on liens, consolidation, merger and sale of the Company's assets. The Company is in compliance with all of the loan covenants as of December 31, 2018, 2019 and 2020.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**12. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT—continued**

As of December 31, 2020, securitization debt represents the revolving debt securities which are collateralized by the receivable related to financial services. The revolving debt securities have the term of less than one year with the annual interest rate from 3.85% to 6.90%.

As of December 31, 2020, RMB6.5 billion of 2025 Booking and Hillhouse Notes are reclassified as short-term debt because the 2025 Booking and Hillhouse Notes holders had a non-contingent option to require the Company to repurchase for cash all or any portion of their 2025 Booking and Hillhouse Notes on December 11, 2021.

**13. RELATED PARTY TRANSACTIONS AND BALANCES**

Significant related party transactions were as follows (RMB in millions):

	<b>For the year ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Commissions from Tongcheng-eLong (a) .....	190	217	151
Commissions from eLong (a) .....	63	—	—
Commissions from Huazhu (a) .....	61	72	78
Commissions from BTG (a) .....	93	91	49
Commissions to Tongcheng-eLong (b) .....	516	579	324
Commissions to eLong (b) .....	66	—	—
Commissions to LY.com (b) .....	6	—	—
Loan provided to and interest income from Tujia (c) .....	—	—	347

- (a) BTG, Huazhu and eLong, have entered into agreements with the Company, respectively, to provide hotel rooms for our end users. In 2018, eLong completed a merger with LY.com and the enlarged group Tongcheng-eLong supersedes eLong to provide hotel rooms for our end users. The transactions above represent the commissions earned from these related parties.
- (b) The Company entered into agreements with eLong and LY.com, upon which these related parties promote the Company's hotel rooms on their platforms. In 2018, eLong completed a merger with LY.com and the enlarged group Tongcheng-eLong supersedes eLong and LY.com to promote the Company's hotel rooms on their platforms.
- (c) In 2020, the Company provided loans of RMB340 million to Tujia. The loans bore interests of RMB7 million with repayment terms of 15~18 months.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**13. RELATED PARTY TRANSACTIONS AND BALANCES—continued**

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Due from related parties, current:			
Trade related			
Due from Tongcheng-eLong .....	1,278	2,149	1,084
Due from others .....	281	462	371
Non-trade related			
Due from Tujia .....	—	—	347
Due from others .....	83	168	—
	<u>1,642</u>	<u>2,779</u>	<u>1,802</u>
Due from related parties, non-current:			
Non-trade related			
Due from Skysea .....	207	—	—
Due from others .....	22	25	25
	<u>229</u>	<u>25</u>	<u>25</u>
Due to related parties, current:			
Trade related			
Due to Tongcheng-eLong .....	263	181	127
Due to others .....	229	219	114
	<u>492</u>	<u>400</u>	<u>241</u>

**14. EMPLOYEE BENEFITS**

The Company's employee benefit primarily related to the full-time employees of the PRC subsidiaries and the VIEs, including medical care, welfare subsidies, housing fund, unemployment insurance and pension benefits. The PRC subsidiaries and VIEs are required to accrue for these benefits based on certain percentages of the employees' salaries in accordance with the relevant PRC regulations and make contributions to the state-sponsored pension and medical plans out of the amounts accrued for medical and pension benefits. The PRC government is responsible for the medical benefits and ultimate pension liability to these employees. The total expenses recorded for such employee benefits amounted to RMB1.7 billion, RMB2.0 billion and RMB1.4 billion for the years ended December 31, 2018, 2019 and 2020, respectively.

**15. TAXATION***Cayman Islands*

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

*Hong Kong*

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**15. TAXATION—continued***The PRC*

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

The PRC EIT laws apply a general enterprise income tax rate of 25% to both foreign-invested enterprises and domestic enterprises. Preferential tax treatments are granted to enterprises, which conduct business in certain encouraged sectors and to enterprises otherwise classified as a High and New Technology Enterprise (“HNTE”). In 2020, Ctrip Computer Technology, Ctrip Travel Information and Ctrip Travel Network reapplied for their qualification as HNTE, which were approved by the relevant government authority. Thus, these subsidiaries are entitled to a preferential income tax rate of 15% from 2020 to 2022 as long as they maintained their qualifications for HNTEs that are subject to verification by competent authorities and renewals every three years. Qunar Software and Qunar Beijing are also HNTEs entitled a preferential income tax rate of 15% from 2018 to 2020 and are applying for renewal of their qualifications.

In 2001, the PRC State Taxation Administration (“STA”) started to implement preferential tax policy in China’s western regions, and companies located in applicable jurisdictions covered by the Western Regions Catalog are eligible to apply for a preferential income tax rate of 15% if their businesses fall within the “encouraged” category of the policy. On April 23, 2020, the Ministry of Finance, the STA, and the PRC National Development and Reform Commission (“NDRC”) jointly issued the Announcement on Renewing the Enterprise Income Tax Policy for Western Development, which reduced the revenue percentage requirement of the “encouraged” businesses to no less than 60% and would be applied from 2021 to 2030. Chengdu Ctrip, Chengdu Ctrip International, and Chengdu Information are entitled to enjoy a preferential tax rate of 15% until 2030, provided that their “encouraged” businesses account for no less than required percentage pursuant to current policies.

Pursuant to the PRC EIT Law, all foreign invested enterprises in the PRC are subject to the withholding tax for their earnings generated after January 1, 2008. The Company expects to indefinitely reinvest undistributed earnings generated after January 1, 2008 in the onshore PRC entities. As a result, no deferred tax liability was provided on the outside basis difference from undistributed earnings after January 1, 2008.

*Income/(loss) from domestic and foreign components before income tax expenses and equity in loss of affiliates (RMB in millions):*

	For the year ended December 31,		
	2018	2019	2020
Domestic .....	4,663	8,983	4,230
Foreign .....	(2,742)	104	(5,455)
Total .....	<u>1,921</u>	<u>9,087</u>	<u>(1,225)</u>

The income/(loss) from foreign components mainly includes the gain/(loss) from the equity securities investments and exchangeable senior notes measured at fair value, impairments for

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**15. TAXATION—continued***The PRC—continued*

investments, share-based compensation charges, foreign exchange gain/(loss) and interest income/(loss) incurred in its overseas companies.

The income tax expenses from domestic components for the years ended December 31, 2018, 2019 and 2020 was RMB642 million, RMB1,652 million and RMB528 million, respectively. The income tax expenses/(benefit) from foreign components for the years ended December 31, 2018 and 2019 and 2020 was RMB151 million, RMB90 million and RMB(173) million, respectively.

*Composition of income tax expense*

The current and deferred portion of income tax expense were as follows (RMB in millions):

	For the year ended December 31,		
	2018	2019	2020
Current income tax expense . . . . .	1,425	1,918	848
Deferred tax benefit . . . . .	(632)	(176)	(493)
Income tax expense . . . . .	<u>793</u>	<u>1,742</u>	<u>355</u>

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

The reconciliation between 25% which is the PRC statutory tax rate and the Company's effective tax rate were as follows:

	For the year ended December 31,		
	2018	2019	2020
Statutory tax rate . . . . .	25%	25%	25%
Non-deductible expenses and non-taxable income incurred			
- Share-based compensation expenses . . . . .	22%	5%	(38%)
- Change in fair value of equity securities investments and exchangeable senior notes . . .	19%	(5%)	0%
- Gain on deconsolidation of a subsidiary . . . . .	—	—	15%
- Others . . . . .	(4%)	1%	3%
Effect of tax holiday . . . . .	(27%)	(8%)	27%
Difference in tax rates of subsidiaries outside PRC . . . . .	4%	(1%)	(37%)
Change in valuation allowance . . . . .	<u>2%</u>	<u>2%</u>	<u>(24%)</u>
Effective EIT rate . . . . .	<u>41%</u>	<u>19%</u>	<u>(29%)</u>

The change in the Company's effective tax rates from year over year is primarily attributable to the tax differential from certain subsidiaries with preferential tax rates, the non-deductible expenses and tax effects from investing activities.

The provisions for income taxes for the years ended December 31, 2018, 2019 and 2020 differ from the amounts computed by applying the EIT primarily due to tax holiday enjoyed by certain

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**15. TAXATION—continued***Reconciliation of the differences between statutory tax rate and the effective tax rate—continued*

subsidiaries and VIEs of the Company. The following table sets forth the effect of tax holiday on China operations:

	For the year ended December 31,		
	2018	2019	2020
	RMB (in millions, except per share data)		
Tax holiday effect	520	762	370
Basic net income per ADS effect	0.95	1.34	0.62
Diluted net income per ADS effect	0.92	1.19	0.62

The impacts on effective tax rates from the Company's subsidiaries with different tax rates of subsidiaries outside PRC and tax holiday are as follows:

		For the year ended December 31,		
		2018	2019	2020
Ctrip Computer Technology	15%	(5.5%)	(2.4%)	15.4%
Ctrip Travel Information	15%	(4.0%)	(1.0%)	(0.7%)
Ctrip Travel Network	15%	(5.7%)	(1.9%)	14.1%
Chengdu Information	15%	(3.2%)	(0.8%)	6.8%
The Company and its subsidiaries in Hong Kong and Cayman Islands	16.5%,0%	1.7%	(0.9%)	(41.7%)
Qunar and subsidiaries	15%	(5.0%)	(1.5%)	(2.5%)
Others	various	(1.3%)	(0.5%)	(1.4%)
Total		<u>(23.0%)</u>	<u>(9.0%)</u>	<u>(10.0%)</u>

*Significant components of deferred tax assets and liabilities were as follows (RMB in millions):*

	December 31, 2018	December 31, 2019	December 31, 2020
Deferred tax assets to:			
Accrued expenses	532	673	708
Loss carry forward	191	372	862
Accrued liability for rewards programs	57	68	85
Accrued staff salary	65	138	8
Others	243	207	321
Less: Valuation allowance of deferred tax assets	<u>(238)</u>	<u>(482)</u>	<u>(589)</u>
	<b>850</b>	<b>976</b>	<b>1,395</b>
Deferred tax liabilities:			
Recognition of intangible assets arise from business combinations and unrealized holding gain	<u>(3,838)</u>	<u>(3,592)</u>	<u>(3,574)</u>
Net deferred tax liabilities	<u>(2,988)</u>	<u>(2,616)</u>	<u>(2,179)</u>



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**15. TAXATION—continued***Movement of valuation allowances were as follows (RMB in millions):*

	December 31, 2018	December 31, 2019	December 31, 2020
Balance at beginning of year .....	197	238	482
Changes in current year .....	41	244	107
Balance at end of year .....	<u>238</u>	<u>482</u>	<u>589</u>

As of December 31, 2018, 2019 and 2020, valuation allowance of RMB238 million, RMB482 million and RMB589 million was mainly provided for operating loss that could be carried forwards related to certain subsidiaries based on then assessment where it is more likely than not that such deferred tax assets will not be realized. If events were to occur in the future that would allow the Company to realize more of its deferred tax assets than the presently recorded net amount, an adjustment would be made to the deferred tax assets that would increase income for the period when those events occurred.

As of December 31, 2020, the Company had net operating tax loss carry forwards amounted to RMB4.1 billion.

As of December 31, 2020, the unrecognized tax benefit and accrual is nil.

**16. OTHER PAYABLES AND ACCRUALS**

Components of other payables and accruals were as follows (RMB in millions):

	December 31, 2018	December 31, 2019	December 31, 2020
Accrued operating expenses .....	3,735	4,975	4,527
Deposits received from travel suppliers and packaged tours users .....	836	1,044	945
Current lease liabilities .....	—	438	409
Payable related to acquisition and investments .....	226	76	346
Accruals for property and equipment .....	22	144	126
Provision related to an equity method investment .....	367	—	—
Others .....	668	864	770
Total .....	<u>5,854</u>	<u>7,541</u>	<u>7,123</u>

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**17. LONG-TERM DEBT**

	December 31, 2018	December 31, 2019	December 31, 2020
RMB in millions			
2020 Notes . . . . .	4,813	—	—
2025 Notes . . . . .	2,750	—	31
2022 Notes . . . . .	—	353	331
2020 Booking Notes . . . . .	1,719	—	—
2025 Booking and Hillhouse Notes . . . . .	6,876	6,962	—
2022 Booking Notes . . . . .	—	174	163
Exchangeable Senior Notes . . . . .	—	—	4,249
Long-term loan . . . . .	8,035	10,981	17,797
Securitization debt . . . . .	—	1,074	147
Less: Debt issuance cost . . . . .	(47)	(7)	(0)
Total . . . . .	<u>24,146</u>	<u>19,537</u>	<u>22,718</u>

As of December 31, 2020, the fair value of the Company's long-term debt, based on Level 2 inputs, was RMB22.7 billion.

***Description of 2020 Convertible Senior Notes***

On June 18, 2015, the Company issued US\$700 million of 1.00% Convertible Senior Notes due 2020 (the “2020 Notes”). The 2020 Notes may be converted at an initial conversion rate of 9.1942 ADSs per US\$1,000 principal amount of the 2020 Notes (which represents an initial conversion price of US\$108.76 per ADS) at any time prior to the close of business on the second business day immediately preceding the maturity date of July 1, 2020. Debt issuance costs were US\$11.3 million and are being amortized to interest expense to the put date of the 2020 Notes (July 1, 2018).

Absent a fundamental change (as defined in the indenture for the 2020 Notes), each holder of the 2020 Notes had a right at such holder's option to require the Company to repurchase for cash all or any portion of such holder's 2020 Notes on July 1, 2018. The Company believed that the likelihood of occurrence of events considered a fundamental change is remote. The 2020 Notes were not redeemable prior to the maturity date of July 1, 2020.

Concurrently with the issuance of the 2020 Notes, the Company purchased a call option (“2015 Purchased Call Option”) and sold warrants (“2015 Sold Warrants”) where the counterparty agreed to sell to the Company up to approximately 6.4 million of the Company's ADSs upon the Company's exercise of the 2015 Purchased Call Option and the Company received US\$84.4 million from the same counterparty for the sale of warrants to purchase up to approximately 6.4 million of the Company's ADSs.

In 2020, the 2020 Notes with principal amount of US\$700 million (RMB4.9 billion) were all redeemed for cash.

***Description of 2025 Convertible Senior Notes***

On June 18, 2015, the Company issued US\$400 million of 1.99% Convertible Senior Notes due 2025 (the “2025 Notes”). The 2025 Notes may be converted, at an initial conversion rate of 9.3555

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**17. LONG-TERM DEBT—continued***Description of 2025 Convertible Senior Notes—continued*

ADSs per US\$1,000 principal amount of the 2025 Notes (which represents an initial conversion price of US\$106.89 per ADS), at each holder’s option at any time prior to the close of business on the second business day immediately preceding the maturity date of July 1, 2025. Debt issuance costs were US\$6.8 million and are being amortized to interest expense to the put date of the 2025 Notes (July 1, 2020).

Absent a fundamental change (as defined in the indenture for the 2025 Notes), each holder of the 2025 Notes has a right at such holder’s option to require the Company to repurchase for cash all or any portion of such holder’s 2025 Notes on July 1, 2020, as a result the 2025 Notes were reclassified from long-term to short-term as of December 31, 2019. If a fundamental change (as defined in the indenture for the 2025 Notes) occurs at any time, each holder has a right at such holder’s option to require the Company to repurchase for cash all or any portion of such holder’s 2025 Notes on the date notified in writing by the Company in accordance with the indenture for the 2025 Notes. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote. The 2025 Notes are generally not redeemable prior to the maturity date of July 1, 2025, except that the Company may, at its option, redeem all but not part of the 2025 Notes in accordance with the indenture for the 2025 Notes if the Company has or will become obligated to pay holders additional amount due to certain changes in tax law of the relevant jurisdiction.

In 2020, the Company notified holders of the 2025 Notes of their rights under the relating indenture to require the Company to purchase all of or portion of such notes on July 1, 2020, which we refer to as the Put Right. As a result of exercise of aforementioned early redemption right, the Company redeemed US\$395 million (RMB2.8 billion) aggregate principal amount of the 2025 Notes as requested by the holders. The remaining RMB31 million were reclassified as long-term debt as of December 31, 2020 as it may not be redeemed or mature within one year.

*Description of 2022 Convertible Senior Notes*

On September 12, 2016 and September 19, 2016, the Company issued US\$975 million of 1.25% Convertible Senior Notes due 2022 (the “2022 Notes”). The 2022 Notes may be converted, at an initial conversion rate of 15.2688 ADSs per US\$1,000 principal amount of the 2022 Notes (which represents an initial conversion price of US\$65.49 per ADS) at each holder’s option at any time prior to the close of business on the business day immediately preceding the maturity date of September 15, 2022. Debt issuance costs were US\$19 million and are being amortized to interest expense to the put date of the 2022 Notes (September 15, 2019).

Absent a fundamental change (as defined in the indenture for the 2022 Notes), each holder of the 2022 Notes has a right at such holder’s option to require the Company to repurchase for cash all or any portion of such holder’s 2022 Notes on September 15, 2019, as a result the 2022 Notes were reclassified from long-term to short-term as of December 31, 2018. If a fundamental change (as defined in the indenture for the 2022 Notes) occurs at any time, each holder has a right at such holder’s option to require the Company to repurchase for cash all or any portion of such holder’s 2022 Notes on

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**17. LONG-TERM DEBT—continued***Description of 2022 Convertible Senior Notes—continued*

the date notified in writing by the Company in accordance with the indenture for the 2022 Notes. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote. The 2022 Notes are generally not redeemable prior to the maturity date of September 15, 2022, except that the Company may, at its option, redeem all but not part of the 2022 Notes in accordance with the indenture for the 2022 Notes if the Company has or will become obligated to pay holders additional amount due to certain changes in tax law of the relevant jurisdiction.

In August 2019, the Company notified holders of the 2022 Notes of their rights under the relating indenture to require the Company to purchase all of or portion of such notes on September 15, 2019, which we refer to as the Put Right. In September 2019, as a result of exercise of aforementioned early redemption right, the Company redeemed US\$924 million (RMB6.6 billion) aggregate principal amount of the 2022 Notes as requested by the holders. The remaining 2022 Notes were reclassified as long-term debt as of December 31, 2019 and 2020 as it may not be redeemed or mature within one year.

The Company assessed the 2020 Notes, 2025 Notes and 2022 Notes (collectively as “Notes”), the 2015 Purchased Call Option (the “Purchased Call Options”) and the 2015 Sold Warrants (the “Sold Warrants”) under ASC 815 and concluded that:

- The Notes, the Purchased Call Options and the Sold Warrants (1) do not entail the same risks; and (2) have a valid business purpose and economic need for structuring the transactions separately. Therefore, the offering of the Notes, the Purchased Call Options and Sold Warrants transactions should be accounted separately;
- The repurchase option is considered clearly and closely related to its debt host and does not meet the requirement for bifurcation;
- Since the conversion option is considered indexed to the Company’s own stock, bifurcation of conversion option from the Notes is not required as the scope exception prescribed in ASC 815-10-15-74 is met;
- There was no BCF attributable to the Notes as the set conversion prices for the Notes were greater than the respective fair values of the ordinary share price at date of issuances;

Therefore, the Company has accounted for the respective Notes as a single instrument as a long-term debt. The debt issuance cost was recorded as reduction to the long-term debts and are amortised as interest expenses using the effective interest method. The value of the Notes are measured by the cash received. The Purchased Call Options and Sold Warrants are accounted for within stockholders’ equity.

*Description of Booking and Hillhouse Notes*

On August 7, 2014, the Company issued Convertible Senior Note (the “2019 Booking Note”) at an aggregate principal amount of US\$500 million to an indirect subsidiary of the Booking Company. The Booking 2019 Note was due on August 7, 2019 and bears interest of 1% per annum, which will be

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**17. LONG-TERM DEBT—continued***Description of Booking and Hillhouse Notes—continued*

paid semi-annually beginning on February 7, 2015. The Booking 2019 Note was convertible into the Company’s ADSs with an initial conversion price of approximately US\$81.36 per ADS. In 2019, the 2019 Booking Notes with principal amount of US\$500 million (RMB3.4 billion) were all redeemed for cash.

On May 26, 2015, the Company issued Convertible Senior Note (the “2020 Booking Note”) at an aggregate principal amount of US\$250 million to an indirect subsidiary of the Booking Company. The Booking 2020 Note was due on May 29, 2020 and bears interest of 1% per annum, which was paid semi-annually beginning on November 29, 2016. The Booking 2020 Note will be convertible into the Company’s ADSs with an initial conversion price of approximately US\$104.27 per ADS. In 2020, the 2020 Booking Notes with principal amount of US\$250 million (RMB1.8 billion) were redeemed for cash.

On December 10, 2015, the Company issued Convertible Senior Notes at an aggregate principal amount of US\$1.0 billion to an indirect subsidiary of the Booking Company and two affiliates of Hillhouse (the “2025 Booking and Hillhouse Notes”). The 2025 Booking and Hillhouse Notes are due on December 11, 2025 and bear interest of 2% per annum, which would be paid semi-annually beginning on June 11, 2016. The 2025 Booking and Hillhouse Notes will be convertible into the Company’s ADSs with an initial conversion price of approximately US\$68.46 per ADS.

Absent a fundamental change (as defined in the indenture for the 2025 Booking and Hillhouse Notes), each holder of the 2025 Booking and Hillhouse Notes has a right at such holder’s option to require the Company to repurchase for cash all or any portion of such holder’s 2025 Booking and Hillhouse Notes beginning on December 11, 2021, as a result the 2025 Booking and Hillhouse Notes were reclassified from long-term to short-term as of December 31, 2020.

On September 12, 2016, the Company issued US\$25 million Convertible Senior Note to an indirect subsidiary of the Booking Company (the “2022 Booking Note”). The 2022 Booking Note is due on September 15, 2022 and bears interest of 1.25% per annum, which will be paid semi-annually beginning on March 15, 2017. The 2022 Booking Note will be convertible into the Company’s ADSs with an initial conversion price of approximately US\$65.49 per ADS.

The Company has accounted for the above notes as a single instrument. The value of the above notes is measured by the cash received. The Company recorded the interest expenses according to its annual interest rate. There was no BCF attributable to the above notes as the set conversion price for the above notes was greater than the fair value of the ADS price at date of issuance.

*Description of Exchangeable Senior Notes*

On July 13, 2020, the Company issued exchangeable senior notes due 2027 (the “Exchangeable Senior Notes”) at an aggregate principal amount of US\$500 million. The Exchangeable Senior Notes are due on July 1, 2027 and bears interest of 1.5% per annum, which will be paid semi-annually beginning on January 1, 2021. The Exchangeable Senior Notes may be converted, at an initial

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**17. LONG-TERM DEBT—continued***Description of Exchangeable Senior Notes—continued*

conversion rate of 24.78 Huazhu ADSs per US\$1,000 principal amount of the Notes (which represents an initial conversion price of US\$40.36 per Huazhu ADS) at each holder’s option. The Company accounts for and measures the Exchangeable Senior Notes in its entirety at fair value. As of December 31, 2020, the fair value of the Exchangeable Senior Notes amounted to RMB4.2 billion (US\$651 million). For the year ended December 31, 2020, the change of its fair value was RMB1.0 billion (US\$151 million) which was recorded in “Other income/ (expense)”.

*Long-term Loans from Commercial Banks*

As of December 31, 2020, the Company obtained long-term bank borrowings of RMB17.8 billion (US\$2.7 billion) in aggregate, of which RMB1.3 billion (US\$193 million) were collateralized by short-term investments, long-term investments and properties of the Company. The weighted average interest rate for the outstanding borrowings was approximately 1.68%. The Company was in compliance with the applicable financial covenants under those lines of credit as of December 31, 2020.

*Securitization Debt*

As of December 31, 2020, securitization debt represents the revolving debt securities which are collateralized by the receivable related to financial services. The revolving debt securities have the terms ranged from one year to two year with the annual interest rate from 4.50% to 5.00%.

**18. REDEEMABLE NON-CONTROLLING INTERESTS**

One of the Company’s subsidiaries issued redeemable preferred shares amounting to RMB1.1 billion to certain third party investors in 2019. The preferred shares are redeemable at holder’s option if the subsidiary fails to complete a qualified IPO in a pre-agreed period of time since its issuance with a redemption price measured by 10% interest per year. The preferred shares are therefore accounted for as redeemable non-controlling interests in mezzanine equity and are accreted to the redemption value over the period starting from the issuance date. In 2020, the Company lost the control in the subsidiary and the financial position and results of operations of the subsidiary was deconsolidated. A gain of RMB1.1 billion (approximately US\$161 million) was recognized in the Other income/(expense) (Note 2) in connection with the deconsolidation.

For the years ended December 31, 2019 and 2020, the Company recognized accretion of RMB44 million and RMB40 million to the respective redemption value of the preferred shares over the period starting from issuance date with a corresponding reduction to the retained earnings.

**19. EARNINGS/(LOSSES) PER SHARE**

Following the Share Subdivision as detailed in Note 2, each ordinary share was subdivided into eight ordinary shares and each ADS represents one ordinary share. The weighted average number of ordinary shares used for the calculation of basic and diluted earnings per share/ADS for the years ended December 31, 2018, 2019 and 2020 have been retrospectively adjusted.



**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**19. EARNINGS/(LOSSES) PER SHARE—continued**

Basic earnings/(losses) per share and diluted earnings per share were calculated as follows (RMB in millions, except for share and per share data):

	For the year ended December 31,		
	2018	2019	2020
<b>Numerator:</b>			
Net income/(loss) attributable to Trip’s shareholders	1,112	7,011	(3,247)
Eliminate the dilutive effect of interest expense of convertible notes	—	373	—
Numerator for diluted earnings per share	<u>1,112</u>	<u>7,384</u>	<u>(3,247)</u>
<b>Denominator:</b>			
Denominator for basic earnings per ordinary share			
- weighted average ordinary shares outstanding (Note i)	547,227,408	567,871,968	600,888,208
Dilutive effect of share options (Note i)	20,169,576	15,815,672	—
Dilutive effect of convertible notes (Note i)	—	58,264,472	—
Denominator for diluted earnings per ordinary share (Note i)	<u>567,396,984</u>	<u>641,952,112</u>	<u>600,888,208</u>
Basic earnings/(losses) per ordinary share (Note i)	<u>2.03</u>	<u>12.35</u>	<u>(5.40)</u>
Diluted earnings/(losses) per ordinary share (Note i)	<u>1.96</u>	<u>11.50</u>	<u>(5.40)</u>
Basic earnings/(losses) per ADS	<u>2.03</u>	<u>12.35</u>	<u>(5.40)</u>
Diluted earnings/(losses) per ADS	<u>1.96</u>	<u>11.50</u>	<u>(5.40)</u>

Note i: Basic and diluted earnings/(losses) per ordinary share, weighted average ordinary shares outstanding, diluted earnings per ordinary share, the dilutive effect of share options and convertible notes have been retrospectively adjusted for the Share Subdivision and the Ratio Change that were effective on March 18, 2021 as detailed in Note 2.

All the convertible senior notes had anti-dilutive impact and were excluded in the computation of diluted EPS in 2020. All the convertible senior notes were included in the computation of diluted EPS in 2019. All the convertible senior notes had antidilutive impact and were excluded in the computation of diluted EPS in 2018.

For the years ended December 31, 2018, 2019 and 2020, the Company had securities which could potentially dilute basic earnings per share in the future, which were excluded from the computation of diluted earnings/(losses) per share as their effects would have been anti-dilutive. Such weighted average numbers of ordinary shares outstanding are as following:

	For the year ended December 31,		
	2018	2019	2020
Convertible Notes	9,604,548	—	3,487,017
Outstanding weighted average stock options	2,521,197	1,976,959	1,554,182
	<u>12,125,745</u>	<u>1,976,959</u>	<u>5,041,199</u>

**20. COMMITMENTS AND CONTINGENCIES***Capital commitments*

As of December 31, 2020, the Company had outstanding capital commitments totaling RMB13 million, which consisted of capital expenditures of property, equipment and software.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**20. COMMITMENTS AND CONTINGENCIES—continued***Deposit under guarantee arrangement*

In connection with its air ticketing business, the Company is required by an affiliate of Civil Aviation Administration of China (“CAAC”) and International Air Transport Association (“IATA”) to enter into guarantee arrangements and to pay deposits. The unused deposits are repaid at the end of the guaranteed period on an annual basis. As of December 31, 2020, the total quota of the air tickets that the Company was entitled to issue was up to RMB1.1 billion. The total amount of the deposit the Company paid was RMB146 million.

Based on the guarantee arrangements and historical experience, the maximum amount of the future payments of Company is approximately RMB943 million which is the guaranteed amount of the air ticket that the Company could issue rather than a financial guarantee. The Company will be liable to pay only when it issues the air tickets to its users and such payable is included in the accounts payable. Therefore, the Company believes the guarantee arrangements do not constitute any contractual and constructive obligation of the Company and has not recorded any liability beyond the amount of the tickets that have already been issued.

*Contingencies*

The Company is not currently a party to any pending material litigation or other legal proceeding or claims.

The Company is incorporated in the Cayman Islands and is considered as a foreign entity under PRC laws. Due to the restrictions on foreign ownership of the air-ticketing, travel agency, advertising and internet content provision businesses, the Company conducts these businesses partly through various VIEs. These VIEs hold the licenses and approvals that are essential for the Company’s business operations. In the opinion of the Company’s PRC legal counsel, the current ownership structures and the contractual arrangements with these VIEs and their shareholders as well as the operations of these VIEs are in compliance with all existing PRC laws, rules and regulations. However, there may be changes and other developments in PRC laws and regulations. Accordingly, the Company cannot be assured that PRC government authorities will not take a view in the future contrary to the opinion of the Company’s PRC legal counsel. If the current ownership structures of the Company and its contractual arrangements with VIEs were found to be in violation of any existing or future PRC laws or regulations, the Company may be required to restructure its ownership structure and operations in China to comply with changing and new PRC laws and regulations.

**II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

**21. GEOGRAPHIC INFORMATION**

The following table presents revenue by geographic area, the Greater China and all other countries, based on the geographic location of its websites for the year ended December 31, 2018, 2019 and 2020. No revenue result from an individual country other than the Greater China accounted for more than 10% of revenue for the presented years.

	For the year ended December 31,		
	2018	2019	2020
	RMB (in millions)		
<b>Total Revenue</b>			
The Greater China .....	28,064	31,256	17,019
Others .....	<u>3,040</u>	<u>4,460</u>	<u>1,308</u>
	<u>31,104</u>	<u>35,716</u>	<u>18,327</u>

**22. SUBSEQUENT EVENTS*****Share Subdivision and the ADS Ratio Change***

As detailed in Note 2, the Share Subdivision and the ADS Ratio Change were effective on March 18, 2021. The number of ordinary shares as disclosed in these consolidated financial statements are prepared on a basis after taking into account the effects of the Share Subdivision and the ADS Ratio Change and have been retrospectively adjusted accordingly.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company in respect of any period subsequent to December 31, 2020 and up to the date of this report. No dividend on distribution has been declared or made by the Company in respect of any period subsequent to December 31, 2020.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The pro forma financial information should be read in conjunction with "Financial Information" and the Accountant's Report set out in Appendix I.

#### A. PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative pro forma statement of adjusted net tangible assets of the Company prepared in accordance with Rule 4.29 of the Listing Rules. It is unaudited and for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Company attributable to the owners of the Company as at December 31, 2020 as if the Global Offering had taken place on December 31, 2020.

The pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Company had the Global Offering been completed as of December 31, 2020 or any future date. It is prepared based on the consolidated net tangible assets of the Company attributable to the owners of the Company as at December 31, 2020 as derived from the Accountant's Report, set out in Appendix I to this prospectus and adjusted as described below.

	Consolidated Net Tangible Assets of the Company Attributable to Owners of the Company as at December 31, 2020	Estimated Net Proceeds from the Global Offering	Pro Forma Adjusted Net Tangible Assets Attributable to Owners of the Company as at December 31, 2020	Pro Forma Adjusted Net Tangible Assets per Share	Pro Forma Adjusted Net Tangible Assets per ADS	Pro Forma Adjusted Net Tangible Assets per Share	Pro Forma Adjusted Net Tangible Assets per ADS
	Note 1 in millions of RMB	Note 2 in millions of RMB	in millions of RMB	Note 3 RMB	Note 4 RMB	Note 5 HK\$	Note 5 HK\$
Based on Offer Price of HK\$333.00 per Share . . .	27,745	8,717	36,462	57.63	57.63	68.47	68.47

*Notes:*

- The consolidated net tangible assets attributable to owners of the Company as at December 31, 2020 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this prospectus, which is based on the consolidated net assets of the Company attributable to the owners of the Company as at December 31, 2020 of approximately RMB100.4 billion with an adjustment for the intangible assets and goodwill attributable to equity holders of the Company as at December 31, 2020 of approximately RMB13.3 billion and RMB59.4 billion respectively.
- The estimated net proceeds from the Global Offering are based on 31,635,600 Shares and the Offer Price of HK\$333.00 per Share after deduction of the underwriting fees and other related expenses paid/payable by the Company and which the Share Subdivision that became effective on March 18, 2021 has been taken into account. It does not take account any allotment and issuance of Shares upon exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by the Company.
- The pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 632,711,112 Shares were in issue assuming that the Global Offering had been completed on December 31, 2020 and which the Share Subdivision that became effective on March 18, 2021 has been taken into account. It does not take into account any allotment and issuance of Shares upon exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by the Company after the Latest Practicable Date.
- The pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represent one Share.
- For the purpose of this pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8416 to HK\$1.00, as set out in "Information about this document and the Global Offering". No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- No adjustment has been made to the pro forma adjusted net tangible assets of the Company to reflect any trading results or other transactions of the Company entered into subsequent to December 31, 2020 except for taking the Share Subdivision that became effective on March 18, 2021 into account.

**REPORT FROM THE REPORTING ACCOUNTANT ON PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report set out on pages II-2 to II-4 received from PricewaterhouseCoopers Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Trip.com Group Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Trip.com Group Limited and its subsidiaries (together, the "Company") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets of the Company as at December 31, 2020, and related notes (the "Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated April 8, 2021, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page II-1 of the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Company's financial position as at December 31, 2020 as if the proposed initial public offering had taken place at December 31, 2020. As part of this process, information about the Company's financial position has been extracted by the Directors from the Company's financial statements for the year ended December 31, 2020, on which an accountant's report has been published.

**Directors' Responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong  
April 8, 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 3, 2000 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum and Articles.

## **SUMMARY OF THE CONSTITUTION OF OUR COMPANY**

### **1 Memorandum of Association**

The Memorandum of Association of our Company was conditionally adopted on December 21, 2015 and effective on December 21, 2015 and states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in "Documents available for inspection" in Appendix V.

### **2 Articles of Association**

The Articles of Association of our Company were conditionally adopted on December 21, 2015 and effective on December 21, 2015 and include provisions to the following effect:

#### **2.1 Ordinary Shares**

The share capital of our Company consist of ordinary shares. The capital of our Company at the date of adoption of the Articles is US\$1,750,000 divided into 1,400,000,000 ordinary shares of a nominal or par value of US\$0.00125 each.

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

#### **2.2 Dividends**

The holders of ordinary shares are entitled to such dividends as may be declared by the board of directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our Company's share premium account, and provided further that a dividend may not be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business.

#### **2.3 Voting Rights**

Holders of ordinary shares shall at all times vote together as one class on all resolutions submitted to a vote by the shareholders. At any general meeting on a show of hands, every shareholder holding ordinary shares present in person or by proxy shall have one vote and on a poll every shareholder present in person or by proxy shall have one vote for every ordinary share of which he is the holder. Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy holding at least ten per cent. in par value of the ordinary shares with a right to attend and vote at such meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our Company, as permitted by the Cayman Companies Act and the Memorandum and Articles of Association.

#### 2.4 Transfer of Shares

Any of the shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in writing and in the usual or common form or any other form approved by the board of directors.

However, the board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share without assigning any reason therefor.

If the directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

#### 2.5 Liquidation

On a winding up of our Company, subject to that the board of directors may deduct all sums of money (if any) presently payable by him to our Company on account of calls or otherwise, the liquidator may, with the sanction of a special resolution of our Company and any other sanction required by the Cayman Companies Act, divide amongst the shareholders in kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any asset upon which there is a liability.

#### 2.6 Redemption, Repurchase and Surrender of Shares

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

## 2.7 Variation of Rights of Shares

The rights attaching to any class of shares may, subject to any rights or restrictions for the time being attached to any class, be varied with the consent in writing of the holders of 75 per cent. of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

## 2.8 General Meetings of Shareholders

Shareholders' general meetings may be held in such place within or outside the Cayman Islands as the board of directors considers appropriate.

As a Cayman Islands exempted company, our Company is not obliged by the Cayman Companies Act to call shareholders' annual general meetings. The Memorandum and Articles of Association provide that we may in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of the shareholders may be convened by a majority of the board of directors. The board of directors shall give not less than seven days' notice of a shareholders' meeting to those persons whose names appear as members in our Company's register of members on the date the notice is given (or on any other date determined by the directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Memorandum and Articles of Association allow one or more shareholder holding shares representing in aggregate not less than ten per cent. of the aggregate number of votes attaching to the issued and outstanding shares of our Company entitled to vote at general meetings, to requisition an extraordinary general meeting, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, the Memorandum and Articles of Association do not provide the shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

## 2.9 Appointment and Removal of Directors

The Articles of Association provide that unless otherwise determined by our Company in general meeting, the number of directors shall not be more than nine.

The Articles of Association provide that (i) three directors shall be appointed by our Company's founders consisting of James Jiangzhang Liang, Neil Nanpeng Shen, Qi Ji and Min Fan (the "**Founder Directors**"), subject to the approval of a majority of the Independent Directors (as such term is defined under applicable NASDAQ marketplace rules), (ii) one director shall be the then current chief executive officer of our Company, (iii) the remaining directors (the "**Ordinary Directors**") shall be appointed by the board of directors or by an ordinary resolution of the shareholders of our Company in general meeting. In addition, the board may, by the affirmative vote of a simple majority of the remaining directors present and voting at a board meeting, appoint any person as a director to fill a casual vacancy or as an addition to the existing board resulting from any increase in the authorized number of directors. A director shall only be removed by the shareholder who nominated and elected him pursuant to the Articles of Association.

Each director shall hold office until the expiration of his term and until his successor shall have been elected pursuant to the Articles of Association.

An appointment of a director may be on terms that the director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period in a written agreement between our Company and the director, if any; but no such term shall be implied in the absence of express provision. Each director whose term of office expired shall be eligible for re-election at a meeting of the Shareholders or re-appointment by the board of directors.

The Articles of Association provide that a shareholding qualification for directors may not be fixed by our Company in general meeting. There is no shareholding qualification for directors nor is there any specific age limit for directors.

The office of a director shall be vacated if the director:

- (a) gives notice in writing to our Company that he resigns the office of director;
- (b) absents himself (without being represented by proxy or an alternate director appointed by him) from three consecutive meetings of the board without special leave of absence from the directors, and the board pass a resolution that he has by reason of such absence vacated office;
- (c) dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (d) found to be or becomes of unsound mind.

#### 2.10 Proceedings of the Board

The quorum necessary for the transaction of the business of the directors may be fixed by the directors and unless so fixed shall be two directors.

The directors may meet together (whether within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

#### 2.11 Changes in Share Capital

Our Company may by ordinary resolution:

- (a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as our Company in general meeting may determine;
- (b) consolidate and divide all or any of our share capital into shares or larger amount than its existing shares;
- (c) subdivide its existing shares, or any of them, into shares of an amount smaller than that fixed by the Memorandum, or into shares without par value; and
- (d) cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

#### 2.12 Directors' Power to Issue Shares

Subject to the provisions, if any, in the Memorandum and Articles of Association and to any direction that may be given by our Company in a general meeting and without prejudice to any special

rights previously conferred on the holders of existing shares, the directors may in their absolute discretion and without approval of the shareholders, allot, issue, grant options over or otherwise dispose of existing shares (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper.

#### 2.13 Directors Borrowing Powers

The board may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of our Company or of any third party.

#### 2.14 Disclosure of Interest in Contracts with our Company or any of our Subsidiaries

No person shall be disqualified from the office of director or prevented by such office from contracting with our Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of our Company in which any director shall be in any way interested be or be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to our Company for any profit realized by any such contract or transaction by reason of such director holding office or of the fiduciary relation thereby established. A director shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid provided however that the name of the interest of any director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

A general notice or disclosure to the directors or otherwise contained in the minutes of a meeting of the directors or a written resolutions of the directors or any committee thereof that a director is a shareholder of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient declaration of interest and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

#### 2.15 Remuneration of Directors

The remuneration of the directors may be determined by the directors.

The directors shall be entitled to be paid their traveling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the directors, or committee of the directors, or general meetings of our Company, or otherwise in connection with the business of our Company, or to receive such fixed allowance in respect thereof as may be determined by the directors from time to time, or a combination partly of one such method and partly the other.

#### 2.16 Restriction on Ownership of Securities

There are no provisions in the Articles of Association relating to restrictions on ownership of our Company's shares or securities.



**SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION****1 Introduction**

The Cayman Companies Act is derived, to a large extent, from the older Cayman Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Cayman Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**2 Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 3, 2000 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

**3 Share Capital**

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce our share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's length basis.

#### **4 Dividends and Distributions**

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

#### **5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

#### **6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## **7 Disposal of Assets**

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

## **8 Accounting and Auditing Requirements**

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

## **9 Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## **10 Inspection of Books and Records**

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

## **11 Special Resolutions**

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and

may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

## **12 Subsidiary Owning Shares in Parent**

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

## **13 Mergers and Consolidations**

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

## **14 Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

**15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**17 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**18 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**19 Taxation**

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, our Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of our Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

**20 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**21 General**

Maples and Calder (Hong Kong) LLP, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.



## FURTHER INFORMATION ABOUT US

## Incorporation

Our Company was incorporated under the laws of the Cayman Islands on March 3, 2000 as an exempted company with limited liability. We have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance with an address at Unit 3003, 30/F, Paul Y. Center, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Chun Kit LI has been appointed as the authorized representative for the acceptance of service of process in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and our Memorandum and Articles is set out in Appendix III.

## Changes in our share capital

As at December 31, 2020, after having accounted for the Share Subdivision, we had an authorized share capital of US\$1,750,000 divided into 1,400,000,000 Shares of a nominal or par value of US\$0.00125 each, and our issued share capital was 599,627,136 Shares.

The following tables set out the changes in the share capital of our Company during the periods presented in this document, after having accounted for the Share Subdivision, which excludes bulk Shares issued for the purpose of the Share Incentive Plans:

	<b>Fiscal year ended December 31, 2018</b>	
	<b>Shares</b>	<b>Shareholders' Equity</b>
		<b>(US\$)</b>
Balances as at January 1, 2018 . . . . .	540,805,232	676,007
Issuance of Shares . . . . .	12,177,232	15,221
Repurchase and/or retirement of Shares . . . . .	128	0
Balances as at December 31, 2018 . . . . .	<u>552,982,592</u>	<u>691,228</u>
	<b>Fiscal year ended December 31, 2019</b>	
	<b>Shares</b>	<b>Shareholders' Equity</b>
		<b>(US\$)</b>
Balances as at January 1, 2019 . . . . .	552,982,592	691,228
Issuance of Shares . . . . .	39,708,640	49,636
Repurchase and/or retirement of Shares . . . . .	—	—
Balances as at December 31, 2019 . . . . .	<u>592,691,232</u>	<u>740,864</u>
	<b>Fiscal year ended December 31, 2020</b>	
	<b>Shares</b>	<b>Shareholders' Equity</b>
		<b>(US\$)</b>
Balances as at January 1, 2020 . . . . .	592,691,232	740,864
Issuance of Shares . . . . .	6,935,904	8,670
Repurchase and/or retirement of Shares . . . . .	—	—
Balances as at December 31, 2020 . . . . .	<u>599,627,136</u>	<u>749,534</u>

**Changes in the share capital of our Significant Subsidiaries**

The following alterations in the share capital of our Significant Subsidiaries have taken place within the two years immediately preceding the date of this document:

- on April 9, 2019, the registered capital of Ctrip Commerce increased from RMB 30,000,000 to RMB 900,000,000.
- on April 30, 2019, Skyscanner Holdings Limited allotted 1,960,000 fully paid-up B ordinary shares of par value GBP0.0001 for GBP1.25.
- on July 12, 2019, Skyscanner Holdings Limited allotted 510,000 fully paid-up B ordinary shares of par value GBP0.0001 for GBP1.25.
- on October 14, 2019, the registered capital of Wancheng increased from RMB 70,000,000 to RMB 72,321,371.19.
- on December 12, 2019, Skyscanner Holdings Limited allotted 1,020,000 fully paid-up B ordinary shares of par value GBP0.0001 for GBP1.25.
- on January 17, 2020, Skyscanner Holdings Limited allotted 90,875 fully paid-up SIP shares of par value GBP0.0001 for GBP1.2.
- on January 17, 2020, Skyscanner Holdings Limited allotted 113,000 fully paid-up SIP shares of par value GBP0.0001 for GBP0.0001.
- on April 12, 2019, Skyscanner Holdings Limited allotted 134,625 fully paid-up SIP shares of par value GBP0.0001 for GBP13.4625.
- on April 12, 2019, Skyscanner Holdings Limited allotted 866,111 fully paid-up SIP shares of par value GBP0.0001 for GBP79,499.9.
- on April 12, 2019, Skyscanner Holdings Limited allotted 866,111 fully paid-up SIP shares of par value GBP0.0001 for GBP86.6111.
- on April 21, 2020, Skyscanner Holdings Limited allotted 20,765,200 fully paid-up B ordinary shares of par value GBP0.0001 for GBP0.0001.
- on October 13, 2020, the registered capital of Wancheng increased from RMB 72,321,371.19 to RMB 72,498,138.87.
- on October 15, 2020, Skyscanner Holdings Limited allotted 225 fully paid-up B ordinary shares of par value GBP0.0001 for GBP0.0001.

Save as disclosed above in this document, there has been no alteration in the share capital of our Significant Subsidiaries within the two years immediately preceding the date of this document.

**FURTHER INFORMATION ABOUT OUR BUSINESS****Summary of material contracts**

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

- (a) a share purchase agreement dated April 26, 2019 between MIH Internet SEA Private Limited, MIH B2C Holdings B.V. and Ctrip.com International, Ltd. pursuant to which, Ctrip.com International, Ltd. purchased from MIH Internet SEA Private Limited certain shares of MakeMyTrip Limited in consideration for the issuance of 4,108,831 shares of Ctrip.com International, Ltd.;

- (b) a facility agreement dated July 5, 2019 between, among others, Ctrip.com International, Ltd., Bank of Communications Co., Ltd. Hong Kong Branch, The Bank of East Asia, Limited (東亞銀行有限公司), China Construction Bank (Asia) Corporation Limited, The Hongkong and Shanghai Banking Corporation Limited, The Korea Development Bank and Bank of China Limited for the establishment of an up to USD2,000,000,000 equivalent transferable term loan facility with an incremental facility of up to USD500,000,000;
- (c) a registration rights agreement dated August 30, 2019 between Ctrip.com International, Ltd. and MIH Internet SEA Private Limited pursuant to which Ctrip.com International, Ltd. granted to MIH Internet SEA Private Limited certain registration rights;
- (d) a cooperation agreement dated August 30, 2019 between Ctrip.com International, Ltd., MIH Internet SEA Private Limited and Myriad International Holdings B.V. to define certain rights and obligations between the parties with respect to Ctrip.com International, Ltd.;
- (e) the sixth amendment to the rights agreement dated August 30, 2019 between Ctrip.com International, Ltd. and The Bank of New York Mellon pursuant to which the meaning of an exempt person under the rights agreement was amended;
- (f) an underwriting agreement dated September 26, 2019 between, among others, Ctrip.com International, Ltd., Baidu Holdings Limited, Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities LLC for the sale of 31,304,352 American Depositary Shares;
- (g) the seventh amendment to the rights agreement dated November 13, 2019 between Trip.com Group Limited and The Bank of New York Mellon pursuant to which the meaning of an exempt person under the rights agreement was amended;
- (h) a facility agreement dated April 3, 2020 between, among others, Trip.com Group Limited, Standard Chartered Bank (Hong Kong) Limited, Industrial and Commercial Bank of China (Macau) Limited, China Construction Bank (Asia) Corporation Limited, Bank of Communications Co., Ltd. Hong Kong Branch and Bank of Communications Co., Ltd. Shanghai Municipal Branch Changning Sub-Branch for the establishment of an up to USD1,000,000,000 transferable term and revolving loan facility with an incremental facility of up to USD500,000,000;
- (i) an indenture dated July 20, 2020 between Trip.com Group Limited and The Bank of New York Mellon constituting 1.50% Exchangeable Senior Notes due 2027;
- (j) a supplemental indenture dated December 15, 2020 between Trip.com Group Limited and The Bank of New York Mellon for amending the indenture dated July 20, 2020;
- (k) an amendment of loan agreement (借款合同之補充協議) dated April 9, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) and Maohua Sun (孫茂華) pursuant to which Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) agreed to grant Maohua Sun (孫茂華) a long-term loan of RMB88.74 million;
- (l) an amendment of exclusive call option agreement (獨家購買權合同之補充協議) dated April 9, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司), Maohua Sun (孫茂華) and Shanghai Ctrip Commerce Co., Ltd. (上海攜程商務有限公司) pursuant to which the exclusive call option agreement (獨家購買權合同) dated December 14, 2015 was amended to account of the additional RMB88.74

- million capital contribution by Maohua Sun (孫茂華) in Shanghai Ctrip Commerce Co., Ltd. (上海攜程商務有限公司);
- (m) an amendment of equity pledge agreement (股權質押合同之補充協議) dated April 9, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) and Maohua Sun (孫茂華) pursuant to which Maohua Sun (孫茂華) agreed to pledge her interest in the registered capital corresponding to all capital contribution in Shanghai Ctrip Commerce Co., Ltd. (上海攜程商務有限公司) to Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司);
  - (n) a loan agreement (借款合同) dated May 27, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) and Tao Yang (楊濤) pursuant to which Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) agreed to grant Tao Yang (楊濤) a long term loan of RMB808.20 million;
  - (o) an exclusive call option agreement (獨家購買權合同) dated May 27, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司), Tao Yang (楊濤) and Shanghai Ctrip Commerce Co., Ltd. (上海攜程商務有限公司) pursuant to which Tao Yang (楊濤) agreed to grant to Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) an exclusive call option to purchase all or part of the shares held by Tao Yang (楊濤) in Shanghai Ctrip Commerce Co., Ltd. (上海攜程商務有限公司);
  - (p) an equity pledge agreement (股權質押合同) dated May 27, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) (as pledgee (質權人)) and Tao Yang (楊濤) (as pledgor (出質人)) pursuant to which the pledger unconditionally and irrevocably agreed to pledge to the pledgee his entire 89.8% interest in the registered capital of Shanghai Ctrip Commerce Co., Ltd. (上海攜程商務有限公司);
  - (q) a power of attorney (授權委託書) dated May 27, 2019 by Tao Yang (楊濤) (as authorizer (授權人)) pursuant to which Tao Yang (楊濤) agreed to authorize Ctrip Travel Network Technology (Shanghai) Co., Ltd. (攜程旅游網絡技術(上海)有限公司) (“WFOE”) or WFOE designated persons to exercise all of his rights as shareholder of Shanghai Ctrip Commerce Co., Ltd. (上海攜程商務有限公司); and
  - (r) the Hong Kong Underwriting Agreement.

### Intellectual property rights

Our intellectual property rights primarily include trademarks and domain names associated with the name “Ctrip,” “Qunar,” “Trip.com,” and “Skyscanner” and copyright and other rights associated with our websites, technology platform, booking software, and other aspects of our business. We regard our intellectual property as a critical factor contributing to our success, although we are not dependent on any patents, intellectual property related contracts or licenses other than some commercial software licenses available to the general public. We have registered our major trademarks “Ctrip” and “攜程” (simplified Chinese characters for Ctrip) with the Trademark Office of the PRC Intellectual Property Administration, with the Registrar of Trademarks in Hong Kong, and also with the United States Patent and Trademark Office. In 2009, we registered the trademark “攜程Ctrip” (a combination of the Chinese and English characters for Ctrip) with the Taiwan Intellectual Property Office and with Direccção dos Serviços de Economia of Macau. We have also registered the trademark “Ctrip” and “攜程” in Korea, European Union, Singapore, Switzerland, Australia, New Zealand, Japan, Turkey, Vietnam, the United Arab Emirates, Malaysia, India, South Africa, Brazil, and Cambodia. We

have also registered the trademark “Trip.com” in European Union, Japan, and the United States. Our major domain names are ctrip.com, ctrip.com.cn, and trip.com, all of which have been registered with www.markmonitor.com, and we have full legal rights over these domain names.

### Summary of Contractual Arrangements

As described in “History and Corporate Structure—Contractual Arrangements”, our Company or its Significant Subsidiaries entered into the following contracts in relation to the contractual arrangements:

- (a) Technical Consulting and Services Agreement dated December 14, 2015 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. and Shanghai Ctrip Commerce Co., Ltd. for the provision of technical consulting and related services by Ctrip Travel Network Technology (Shanghai) Co., Ltd. to Shanghai Ctrip Commerce Co., Ltd.
- (b) Technical Consulting and Services Agreement dated December 14, 2015 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. and Chengdu Ctrip Travel Agency Co., Ltd. for the provision of technical consulting and related services by Ctrip Travel Network Technology (Shanghai) Co., Ltd. to Chengdu Ctrip Travel Agency Co., Ltd.
- (c) Loan Agreement dated December 14, 2015 and its amendment dated April 9, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as lender) and Maohua Sun (as borrower) for the provision of in aggregate a loan of RMB91.8 million by the lender to the borrower
- (d) Loan Agreement dated December 14, 2015 and its amendment dated March 20, 2017 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as lender) and Min Fan (as borrower) for the provision of in aggregate a loan of RMB497.5 million by the lender to the borrower
- (e) Loan Agreement dated December 14, 2015 and its amendment dated March 20, 2017 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as lender) and Qi Shi (as borrower) for the provision of in aggregate a loan of RMB2.5 million by the lender to the borrower
- (f) Exclusive Call Option Agreement dated December 14, 2015 and its amendment dated April 9, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd., Maohua Sun and Shanghai Ctrip Commerce Co., Ltd. pursuant to which Maohua Sun agreed to grant Ctrip Travel Network Technology (Shanghai) Co., Ltd. an exclusive call option to purchase all or part of the equity interest held by Maohua Sun in Shanghai Ctrip Commerce Co., Ltd.
- (g) Exclusive Call Option Agreement dated December 14, 2015 and its amendment dated March 20, 2017 between Ctrip Travel Network Technology (Shanghai) Co., Ltd., Min Fan, Chengdu Ctrip Travel Agency Co., Ltd. pursuant to which Min Fan agreed to grant Ctrip Travel Network Technology (Shanghai) Co., Ltd. an exclusive call option to purchase all or part of the equity interest held by Min Fan in Chengdu Ctrip Travel Agency Co., Ltd.
- (h) Exclusive Call Option Agreement dated December 14, 2015 and its amendment dated March 20, 2017 between Ctrip Travel Network Technology (Shanghai) Co., Ltd., Qi Shi and Chengdu Ctrip Travel Agency Co., Ltd. pursuant to which Qi Shi agreed to grant Ctrip Travel Network Technology (Shanghai) Co., Ltd. an exclusive call option to purchase all or part of the equity interest held by Qi Shi in Chengdu Ctrip Travel Agency Co., Ltd.



- (i) Equity Pledge Agreement dated December 14, 2015 and its amendment dated April 9, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as pledgee) and Maohua Sun (as pledgor) pursuant to which the pledgor granted a pledge of its equity interest held in Shanghai Ctrip Commerce Co., Ltd. to the pledgee
- (j) Equity Pledge Agreement dated December 14, 2015 and its amendment dated March 20, 2017 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as pledgee) and Min Fan (as pledgor) pursuant to which the pledgor granted a pledge of its equity interest held in Chengdu Ctrip Travel Agency Co., Ltd. to the pledgee
- (k) Equity Pledge Agreement dated December 14, 2015 and its amendment dated March 20, 2017 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as pledgee) and Qi Shi (as pledgor) pursuant to which the pledgor granted a pledge of its equity interest held in Chengdu Ctrip Travel Agency Co., Ltd. to the pledgee
- (l) Power of Attorney dated December 14, 2015 by Maohua Sun to appoint Ctrip Travel Network Technology (Shanghai) Co., Ltd. or its designated person as its attorney-in-fact to exercise any and all of the rights in respect of their equity interests in Shanghai Ctrip Commerce Co., Ltd.
- (m) Power of Attorney dated December 14, 2015 by Min Fan to appoint Ctrip Travel Network Technology (Shanghai) Co., Ltd. or its designated person as its attorney-in-fact to exercise any and all of the rights in respect of their equity interests in Chengdu Ctrip Travel Agency Co., Ltd.
- (n) Power of Attorney dated December 14, 2015 by Qi Shi to appoint Ctrip Travel Network Technology (Shanghai) Co., Ltd. or its designated person as its attorney-in-fact to exercise any and all of the rights in respect of their equity interests in Chengdu Ctrip Travel Agency Co., Ltd.
- (o) Restated Exclusive Technical Consulting and Services Agreement dated March 23, 2016 between Beijing Qu Na Information Technology Co., Ltd. and Beijing Qunar Software Technology Co., Ltd. for the provision of technical consulting and related services by Beijing Qunar Software Technology Co., Ltd. to Beijing Qu Na Information Technology Co., Ltd.
- (p) Loan Agreement dated March 23, 2016 among Beijing Qunar Software Technology Co., Ltd. (as lender), Hui Cao and Hui Wang (each as borrowers) for the provision of a loan of RMB11 million by the lender to the borrowers
- (q) Equity Option Agreement dated March 23, 2016 among Qunar Cayman Islands Limited, Beijing Qunar Software Technology Co., Ltd., Hui Cao, Hui Wang and Beijing Qu Na Information Technology Co., Ltd. pursuant to which Hui Cao, Hui Wang agreed to grant Qunar Cayman Islands Limited and Beijing Qunar Software Technology Co., Ltd. or their designated person an exclusive option to acquire all or part of the equity interest held by Hui Cao, Hui Wang in Beijing Qu Na Information Technology Co., Ltd.
- (r) Equity Interest Pledge Agreement dated March 23, 2016 among Beijing Qunar Software Technology Co., Ltd. (as pledgee), Hui Cao and Hui Wang (as pledgors) pursuant to which the pledgors granted a pledge of their respective equity interest held in Beijing Qu Na Information Technology Co., Ltd. to the pledgee
- (s) Powers of Attorney each dated March 23, 2016 by each of Hui Cao and Hui Wang to appoint Qunar Cayman Islands Limited, its successors, or any of its designated entities, as its sole attorney to exercise any and all of the rights in respect of their equity interests in Beijing Qu Na Information Technology Co., Ltd.



- (t) Loan Agreement dated May 27, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as lender) and Tao Yang (as borrower) for the provision of a loan of RMB808.2 million by the lender to the borrower
- (u) Exclusive Call Option Agreement dated May 27, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd., Tao Yang and Shanghai Ctrip Commerce Co., Ltd. pursuant to which Tao Yang agreed to grant Ctrip Travel Network Technology (Shanghai) Co., Ltd. an exclusive call option to purchase all or part of the equity interest held by Tao Yang in Shanghai Ctrip Commerce Co., Ltd.
- (v) Equity Pledge Agreement dated May 27, 2019 between Ctrip Travel Network Technology (Shanghai) Co., Ltd. (as pledgee) and Tao Yang (as pledgor) pursuant to which the pledgor granted a pledge of its equity interest held in Shanghai Ctrip Commerce Co., Ltd. to the pledgee
- (w) Power of Attorney dated May 27, 2019 by Tao Yang to appoint Ctrip Travel Network Technology (Shanghai) Co., Ltd. or its designated person as its attorney-in-fact to exercise any and all of the rights in respect of their equity interests in Shanghai Ctrip Commerce Co., Ltd.

These contracts are available on our website (investors.trip.com) pursuant to the Hong Kong Stock Exchange's Guidance Letter HKEX-GL94-18 and Listing Decision HKEX-LD43-3.

## **FURTHER INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS**

### **Disclosure of interests**

See "Major Shareholders" for disclosure of interests of directors and executive officers.

### **Directors' service contracts**

We have entered into employment agreements with each of our directors who is also an officer. See "Directors and Senior Management—Compensation—Compensation of our directors and executive officers".

### **Directors' remuneration**

See "Directors and Senior Management—Compensation—Compensation of our directors and executive officers" for a discussion of directors' remuneration.

### **Share Incentive Plans**

See "Directors and Senior Management—Compensation—Employees' Share Incentive Plans" for details about our Share Incentive Plans.

## **OTHER INFORMATION**

### **Estate duty**

Our directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

### **Litigation**

See "Business—Legal proceedings and compliance" for further details.

### Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The fee payable to each of the Joint Sponsors for acting as the sponsor for the Listing is US\$300,000.

### Experts

This document contains statements made by the following experts:

<u>Name</u>	<u>Qualification</u>
J.P. Morgan Securities (Far East) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
Commerce & Finance Law Offices	Qualified PRC lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
ANALYSYS LTD (北京易觀智庫網絡科技有限公司)	Industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Save as disclosed in this document, each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

### Preliminary expenses

Save as disclosed in this document, we have not incurred any material preliminary expenses in relation to the incorporation of our Company.

**Binding effect**

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**Bilingual document**

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**Miscellaneous**

- (a) Save as disclosed in this document or otherwise waived or exempted from disclosure pursuant to the waivers and exemptions disclosed in this document, within the two years immediately preceding the date of this document:
  - (i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
  - (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of our Company or any of our Significant Subsidiaries, and no directors, promoters or experts named in the part headed “—Other information—Experts” received any such payment or benefit.
- (b) Save as disclosed in this document:
  - (i) there are no founder, management or deferred shares in our Company or any member of our Group;
  - (ii) we do not have any promoter for the purpose of the Hong Kong Listing Rules and no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this document;
  - (iii) none of our directors or the experts listed in “—Other information—Experts” above is materially interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities, or are proposed to be acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities;
  - (iv) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
  - (v) we and our Significant Subsidiaries have no outstanding debentures;
  - (vi) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option; and
  - (vii) none of our directors is materially interested in any contracts or arrangement with us subsisting at the date of this document which is significant in relation to the business of our Group.

- (c) Our branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless the directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our share register in Hong Kong and may not be lodged in the Cayman Islands.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents,:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to in “Statutory and general information—Other information—Experts” in Appendix IV; and
- (c) copies of the material contracts referred to in “Statutory and general information—Further information about our business—Summary of material contracts” in Appendix IV.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the material contracts referred to in “Statutory and general information—Further information about our business—Summary of material contracts” in Appendix IV;
- (c) the report issued by ANALYSYS LTD (北京易觀智庫網絡科技有限公司), a summary of which is set forth in “Industry overview”;
- (d) the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC Legal Advisor on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (e) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I;
- (f) the report on the pro forma financial information of our Company prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II;
- (g) our audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020;
- (h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands law, summarizing certain aspects of Cayman company law referred to in Appendix III;
- (i) the Cayman Companies Act; and
- (j) the written consents referred to in “Statutory and general information—Other information—Experts” in Appendix IV.

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